FINANCIAL TIMES

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Baker-Lawson plan: almost a meeting of minds, Page 26

World News

Earthquake cuts power supplies in Los Angeles

An earthquake measuring 6.1 on the Richter scale shook Los Angeles, severing power supplies in parts of the city and sending thousands of people running into the streets. The city fire department advised people to evacuate all high-rise buildings as soon as possible.

The earthquake, followed by several after-shocks, appeared to be the biggest tremor to hit the city since 1971 when 64 people died. Early reports said three people were killed and dozens injured.

Major airports around Los Angeles were closed for damage inspection. Traders raced off the floor of the Pacific Stock Exchange but returned after a few minutes. They were later advised to leave the building. Broken glass from thousands of broken windows littered streets and there were reports of landslides and one building on fire.

Soviets test missile

The Soviet Union fired two nuclear test missiles into the Pacific Ocean several hundred miles north-west of Hawaii, despite strong US protests expressing "serious concern about missile tests conducted so close to US soil."

Fijian autocracy

Fiji began an indefinite period as a military autocracy after Col Sitiveni Rabuka, armed forces commander, formally revoked the 1970 constitution and prepared to transform the state into a republic dominated by ethnic Fijians. Page 28

Swedish sanctions

Sweden announced a unilateral ban on trade with South Africa and urged the rest of the world to follow its example. Some 294 companies were ordered to stop trading with Pretoria.

Natal floods toll

Officials reported 138 people killed in floods swamping South Africa's Natal province as forecasters warned of more downpours. Storms destroyed bridges, roads, railways and dams and caused a drinking water shortage in Durban.

Drugs airliner seized

The US Customs Service seized a DC-10 airliner owned by Ecuador's state airline that was used to smuggle $5m worth of cocaine into the US in August. Three people were arrested.

Sikh gunmen kill nine

Sikh gunmen opened fire in a Punjab village, killing nine people including two Sikhs mistaken for Hindus.

N-plant closed

A nuclear fuel processing plant in Hanau, near Frankfurt, was closed for safety improvements after criticism by local officials.

French envoy expelled

Vanuatu ordered the French ambassador to leave within seven days, accusing him of interfering in the South Pacific island's internal affairs.

'Balance books' call

The Norwegian Government's chief accountant called on the armed forces to put their accounts in order after discovering the books did not balance. An armed forces spokesman said there was an acute shortage of staff qualified in bookkeeping.

Auditors refused bail

Brunei's High Court refused bail to two auditors - a Briton and a Singaporean - charged in connection with the country's biggest banking scandal involving loans of 730m Brunei dollars ($332m) made by the National Bank of Brunei.

Chance discovery

Thai investigators found high-technology cheating devices in the contraption used to select prize numbers in the fortnightly national lottery - which offers a top prize of more than $580,000.

Business Summary

Hill Samuel discusses takeover by TSB

HILL SAMUEL, British merchant bank, suspended share dealings while it negotiated the terms of a takeover by Trustee Savings Bank and Barclays de Zoete Wedd. An announcement of the agreed bid is expected on Monday. Page 29

WALL STREET: The Dow Jones industrial average closed up 42.92 at 2,639.20. Page 52

TOKYO: Concern over higher interest rates depressed the bond and equities markets. The Nikkei stock average fell 289.14 to 25,721.74, its first decline in seven sessions. Page 52

LONDON: UK stock markets were enlivened by several sizeable takeover offers and active trading. The FT-SE 100 index ended 7.8 points higher at 2,373.8, while the FT Ordinary Index advanced 7.2 to 1,860.9. Details, Page 48

GOLD fell on the London bullion market to close at $455.00 ($459.25). In Zurich it also fell to $455.00 ($459.05). Page 49

DOLLAR closed in New York at DM1.8405, Y146.30, SFr1.5320, FFr6.1310. It rose in London to DM1.8475 (DM1.8435); to Y146.90 (Y146.45); to SFr1.5395 (SFr1.5340); and to FFr6.1475 (FFr6.1350). On Bank of England figures the dollar's exchange rate index rose 0.3 to 102.4. Page 41

STERLING closed in New York at $1.6227. It fell in London to $1.6170 ($1.6255); to Y237.50 (Y238.0); to DM2.9875 (DM2.9975); to SFr2.49 (SFr2.4950); and to FFr9.94 (FFr9.9725). The pound's exchange rate index fell 0.2 to 72.8. Page 41

SECURITIES AND INVESTMENTS Board, UK regulatory watchdog, unveiled proposed regulations to change price fixing for buying and selling units in unit trusts. Page 52

HENRY ANSBACHER, UK merchant banking group, announced a £69m ($112m) rights issue which more than doubles its net worth to £125m. Page 52

CSK, Japanese computer software developer, denied it had suffered any losses through financial investments such as stock or bond trading. Page 31

TELECOMMUNICATION Authority of Singapore has reduced its stake in Singapore Press Holdings to 4.6 per cent from 8.34 per cent. Page 31

BRIERLEY Investments, New Zealand investment company, is considering major changes to its accounting policies. Page 31

ELBIT, Israeli computer and defence electronics company, began a major reorganisation programme following the Government's cancellation of controversial $1.2bn Lavi fighter bomber project. Page 31

JMB Realty, Chicago-based property company, has changed the purchase price it will offer for each of 5.2m outstanding Cadillac Fairview warrants to C$26.95 (US$20.73) in cash. Page 29

BANKS in Abu Dhabi face further problems over interest payments as a result of a decree published this week stating that "in all cases interest payments must not exceed the amount of the principal debt." Page 32

ASHOK LEYLAND, India's second largest commercial vehicle manufacturer, is the target of bids ranging between $32m and $48m by international truck manufacturers and Indian businessmen. Page 31

SAINT-GOBAIN, French foods and brewing group, will invest $345m in Brazil over the next three years. Page 30

BALTICA, Danish insurer, is selling its reinsurance business, Baltica Nordiske-Re, to Employers Reinsurance, a Kansas-City based subsidiary of the General Electric Corporation, for DKr1.2bn ($169.7m). Page 30

HANSHIN SOGO Bank sold 100,000 shares of Tateho Chemical Industries on September 1, one day before Tateho reported losses of Y28bn ($191m) in connection with futures trading on the Japanese government bond market. Page 31

GEC and Plessey plan merger of telecoms business

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

GENERAL Electric Company and Plessey, two of Britain's largest electronics companies, are merging their telecommunications equipment interests in an attempt to create a powerful new force in world markets.

The merger, which follows a spate of rationalisation in the world telecommunications industry, will create a joint venture company with annual sales of more than £1.2bn ($1.94bn).

Operating profits are believed to be about £160m, its assets will be about £600m, and it will start off with a workforce of about 23,000, though this is expected to be reduced by rationalisation.

Although the combined company will still be smaller than the giants of the world industry, the deal is aimed at giving it greater resources and a much reduced cost base to compete more effectively in international markets.

The merger will resolve a history of difficult relations between the two companies which culminated in a veto last year by the Monopolies and Mergers Commission of GEC's hostile bid for Plessey.

The two companies have failed several times in the past four years to sort out their overlapping interests in System X, Britain's flagship digitial public telephone exchange. Although the two companies jointly developed System X, manufacturing of the exchange has been kept separate.

However, yesterday's agreement goes beyond System X to include all the telecommunications interests of both groups, including private exchanges, transmission and data communications. It also takes in Stromberg-Carlson, Plessey's Florida-based exchange subsidiary, which has recently broken into the huge Bell operating company market in the US.

Lord Weinstock, GEC's managing director, and Sir John Clark, Plessey's chairman are two of the most colourful characters in British industry who have not always seen eye to eye. They were brought into the negotiations about three weeks ago. After their intervention, the talks became highly intensive.

Plessey, which described the move as "incredibly bold," said that because of the move towards greater integration of telecommunications equipment, it would not have made sense to merge just System X.

The two companies said they planned to seek early meetings with British Telecom and Mercury Communications, the UK telephone network operators, as well as with the British Government.

Mr Stephen Walls, Plessey finance director, said last night that there was always a possibility of a further reference to the Monopolies Commission, but "we would hope that that would not be the case. I think it is extremely important for Great Britain Ltd to have one telecommunications group."

Although the Commission backed the rationalisation of the companies' System X interests in last year's investigation, it also concluded that a merger might have some adverse impact on competition in the supply of private exchanges and transmission equipment, where the two companies combined would dominate the UK market.

BT, although welcoming last night the resolution of the System X issue, also hinted strongly that it might want a review of the conditions placed by the Monopolies Commission last year on their purchase of a 51 per cent stake in Mitel, the Canadadian telecommunications equipment manufacturer.

In detailed talks over the next few months, the joint team will have to resolve exactly how to fit the two companies together finanically. Plessey contribution to the new group will be slightly larger.

Lex, Page 28

LEADING WORLD MAKERS OF TELECOMS EQUIPMENT

Company	Telecoms sales (£m)*
AT&T (US)	7,590
Alcatel (including ITT) (France, US)	5,435
Siemens (W. Germany)	2,530
Northern Telecom (Canada)	2,460
LM Ericsson (Sweden)	2,380
NEC (Japan)	2,010
GTE (US)	1,710
Philips (Netherlands)	893
GEC (UK)	746
Fujitsu (Japan)	744
Plessey (UK)	677
Italtel (Italy)	470

*1984 figures. Source: Monopolies and Mergers Commission

Budget failure brings EC financial crisis to a head

BY QUENTIN PEEL IN LUXEMBOURG

THE FINANCIAL crisis facing the European Community was brought to a head yesterday when a meeting of the member states' budget ministers collapsed in disarray, abandoning the effort to draft a budget for the coming year.

The failure to reach any agreement on spending for the whole range of EC policies, from agriculture to research and development - estimated at Ecu41bn ($46.3bn) by the European Commission - is set to precipitate a major clash between the institutions of the Community, and embitter the current negotiations for a long-term overhaul of EC finances.

The Commission immediately served notice that it will take the member states to the European Court of Justice to force them to finance the budget if they fail to agree by midnight on Monday night - the deadline fixed by the Treaty of Rome.

Mr Henning Christophersen, the EC Budget Commissioner, suggested that the court might even require the member states to pay more to Brussels to finance their agreed EC policies - even if their national parliaments disagree.

A last-ditch effort will be made this weekend by the 12 foreign ministers to overcome the deadlock, caused when the UK, Spain and Greece refused to back a compromise deal supported by the other nine member states. An informal meeting of the foreign ministers in Denmark, which would normally have been dominated by the issues of the Gulf War and nuclear disarmament, will now have to grapple with the EC cash crisis as well.

The renewed crisis goes to the heart of the gap in EC finances, precipitated largely by the soaring cost of the Common Agricultural Policy, and compounded by shrinking contributions by the member states.

The Ecu41bn budget sought by the European Commission can only be financed up to Ecu35.27bn by the present legal level of national contributions, and the member states cannot agree on how to fill the gap without a major overhaul of the system.

The lack of a budget will maintain maximum pressure on the member states to reach an agreement on long-term financing at the Copenhagen EC summit in December - but it also means that much of 1988 spending will have to be limited to emergency funding, far below forecast spending levels.

That outcome certainly suits the UK Government, which refuses to countenance any increase in EC funding until the Common Agricultural Policy has been brought under control. A total of Ecu27bn in the Ecu41bn preliminary draft budget was earmarked for the CAP, much of it for crop storage costs and export subsidies on otherwise unsaleable surplus food.

Spain also blocked any agreement yesterday in order not to prejudice the reforms it wants to switch spending from agriculture to social and regional policies, while Greece refused to accept any deal below the Commission draft.

In spite of the deadlock, the Danish chairman of yesterday's meeting, Mr Knud-Erik Tygesen, was only one vote short of a qualified majority for a compromise budget of Ecu39.3bn - but he finally failed to persuade any of the three opponents to abandon their opposition.

Lawnmower noise dispute, Page 3

Soaring Toyko land prices lead to diplomats' anger over rents

BY IAN RODGER IN TOKYO

TOKYO'S LAND prices have become so outrageous that even the diplomatic community is complaining about them.

This week, representatives of 34 foreign embassies in Japan launched a campaign to press the Japanese Government to put up low-rent buildings to house their offices.

Embassies have been hard hit by rent increases arising from the spectacular rise in Tokyo land prices in recent years. This, coupled with the rise in the value of the yen, has forced many missions to reduce their operations.

The British Embassy, for example, has begun a programme to expand office and residential capacity in its spacious compound in central Tokyo so that fewer houses and offices have to be rented on the open market. The Australian Embassy is selling off a large portion of its estate in south Tokyo.

Representatives of 34 African, Middle Eastern and South American countries are to press the Japanese Foreign Ministry to put up buildings for them. A Foreign Ministry official said yesterday that the ministry was aware of the problem and had formed a task force to try to find a solution.

Tokyo's land prices have been pushed up partly by the rapid expansion of the financial services industry in the city centre.

This week, it was revealed by the National Land Agency that land prices in Tokyo had soared by an average of 85.7 per cent in the 12 months to June 30 1987. Residential land prices in the city rose by 93 per cent. According to the agency, land in Ginza in downtown Tokyo is now valued at Y32m ($219,196) per square metre.

The Tokyo metropolitan government, under growing pressure to prevent further increases, announced this week that it would extend its control over land trading in the city.

Brazilian creditors to oppose Milliet debt plan

By Alexander Nicoll in Washington

BRAZIL'S leading creditor banks will today make clear their strong opposition to the spirit and substance of a debt proposal put to them by Mr Fernando Milliet, Brazil's central bank president, a week ago.

Mr Milliet and other Brazilian officials will meet the 14-bank advisory committee in New York for talks seen as crucial in breaking the deadlock over Brazil's seven-month old interest payments moratorium.

Brazil's debt problems have highlighted deepening concern about the Third World debt crisis at this week's International Monetary Fund and World Bank meetings in Washington.

Most banks appear united in their belief that, as presented, the Brazilian proposal does not in itself form a basis for negotiation and is in any case too vague.

Brazil, which has paid no interest to banks since February, has asked for $10.4bn in new loans, lower and capped interest rates, and conversion of some debt into bonds.

Banks particularly object to the lack of linkage with any arrangement Brazil might make with other creditors.

A good proportion of banks would probably be prepared to strike a deal without the backing of an agreement on economic policies with the IMF, providing Brazil took convincing measures to rein in its public sector deficit.

However, the absence of an agreement with the IMF means that Brazil is due to pay the fund nearly $2bn this year and next. Banks would not lend money which could immediately be used to repay the Fund.

The key question facing banks has been how to respond in a way which would get the dialogue going.

Banks feel this is in their interest and in Brazil's interest because US regulators may on October 26 downgrade Brazilian loans if there is little sign that Brazil will soon resume interest payments. This would force new losses on US banks.

A downgrading would substantially impair the chances of reaching a new loan deal with Brazil.

Continued dialogue is also necessary, bankers believe, because Brazil has recently suffered an erosion of its short-term trade and interbank lines. Some bankers put the erosion at $800m out of the total of about $14bn.

Some bankers have suggested an interim counter-proposal which would restore the flow of interest payments while guaranteeing the level of short-term lines.

A delay in negotiating a full-scale deal would allow the domestic political situation in Brazil to become clearer.

Gorbachev offers talks to cut navies

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday offered talks between the the Warsaw Pact and Nato on reducing naval activity in the Baltic and Arctic seas in a wide-ranging policy speech at the naval base of Murmansk.

Mr Gorbachev said the Soviet Union was prepared to discuss "the withdrawal of submarines armed with ballistic missiles from the Soviet Baltic fleet," as part of a six part programme to lower the level of confrontation in and around northern Europe.

In his first speech for over seven weeks the Soviet leader also sounded optimistic about his planned summit meeting with US President Ronald Reagan, which is expected to take place in Washington in November.

He suggested the summit "might set off a sort of peaceful chain reaction in the sphere of strategic offensive arms and non-emplacement of armaments in space."

Mr Gorbachev said that there were also signs of progress on a nuclear test ban which he said showed the Soviet unilateral test ban which ended earlier this year had not been in vain.

Mr Gorbachev's six part plan for to reduce tension in and around the far north of Europe combines military and economic measures.

These include the establishment of a nuclear free zone in the region, including the possible withdrawal of Soviet nuclear submarines from the Baltic. The Soviet leader said Moscow had already unilaterally dismantled all its medium range missile launchers on the Kola peninsula just to the east of Finland as well as most of the medium range missile launchers in the Leningrad and Baltic regions.

He also proposed co-operation in the exploitation of the resources of the north, including the Soviet Kola peninsula, as well as in scientific study of the arctic.

Elsewhere in his speech Mr Gorbachev defended his plans for economic reconstruction. He explained why the Government was planning to raise prices of some items. He said that everywhere he went "people spoke about prices." Earlier in his tour of Murmansk Mr Gorbachev described his restructuring of Soviet political and economic management as "a revolution without shots" and said that the next 18 months would be critical for its success or failure.

He said that the price of basic foodstuffs was too low and of other consumer goods too high because of the system of state subsidies.

David Buchan, Defence Correspondent, adds: in proposing reduced East-West naval activity in the north east Atlantic and Baltic, Mr Gorbachev would appear to be reflecting growing apprehension - not entirely confined to the Soviet Union and Warsaw Pact - about the newly aggressive US forward strategy designed, in time of war, to confine the very large Soviet north-

Continued on Page 28

ABF launches offer for UK's Berisford

BY CLAY HARRIS

ASSOCIATED British Foods, the UK-based flour-milling, bread and biscuits group controlled by the Canadian Weston family, yesterday launched a cash offer for S&W Berisford which values the UK beet sugar refiner and commodity trader at £767m ($1.24bn).

Berisford immediately rejected the "totally unwelcome and unsolicited bid" from ABF, which has owned a 23.7 per cent stake in the group since May.

Previous full or partial bids for Berisford by Tate & Lyle, its cane-based UK rival, and Ferruzzi, the Italian agribusiness group, were blocked by the UK Government in February on the advice of the Monopolies and Mergers Commission. Another reference is a strong possibility.

Berisford shares yesterday jumped 76p to close at 425p, compared with ABF's 400p cash offer. With ABF's shares gaining 27p to close at 370p, the two groups have a combined market

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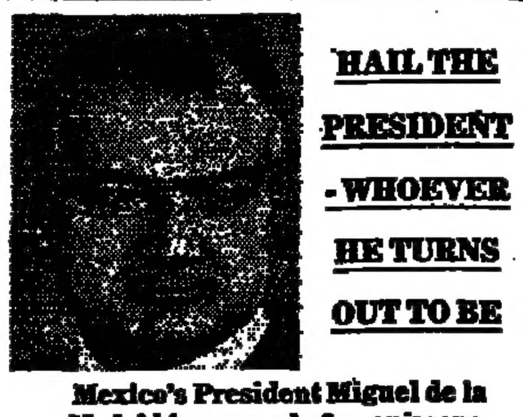

HAIL THE PRESIDENT - WHOEVER HE TURNS OUT TO BE

Mexico's President Miguel de la Madrid is assured of unanimous support for whoever he chooses as his successor. Page 28

Double-barrelled assault delivers serious blow to Basque separatists

BY TOM BURNS IN MADRID

WITHIN THREE hours of the arrest of the Eta leader Santiago Arrospide early on Tuesday morning by French police in the Pyrenean village of Anglet, five Spanish anti-terrorist experts were sitting in on the preliminary interrogation of the detainee in Bayonne.

The immediate consequence of *this speedy co-operation* between the police forces of the two countries was a series of swoops that started on Tuesday evening and continued through yesterday in Spain's Basque country. Suspects were arrested and arms caches and safe houses discovered.

Mr Arrospide, better known as Santi Potros, a nom-de-guerre *he has used during a 19-year* career in Eta, the Basque separatist movement, and which became a household name when he emerged as the organisation's chief strategist 18 months ago, had about £400,000 in different currencies in his possession when the gendarmerie knocked on the door of his hide-out. Much more importantly, he had 15 kg of Eta-related documents.

Claims that Euzcadi Ta Askatasuna (Basque Fatherland and Freedom) has been driven into its final corner have been made in the past. But they have *never rung truer* than at present. As the Madrid anti-terrorist establishment sees it, the carefully nurtured collaboration with France is now paying genuinely big dividends.

The rich picking at Anglet have, as a clear precedent, an operation last November against a furniture factory in the border town of Hendaye that was used by Eta as a key operations centre. A considerable number of documents seized by the Spanish police provided a series of leads that helped in the succeeding months track down commandos of Eta gunmen and bombers in San Sebastian, Madrid and, most recently, Barcelona.

Yesterday Mr Jose Barrionuevo, the Spanish Interior Minister, said the Anglet documents appeared to be more important than those confiscated in Hendaye because they allowed even greater insights into Eta's internal structure.

The speed with which Spanish police were informed of Mr Arrospide's arrest and then invited to monitor his interrogation is viewed as a qualitative leap forward in the collaboration between the two security forces. In addition, the arrest puts paid to the complaint voiced in the past by Madrid's security chiefs that France was cracking down on rank-and-file Eta suspects in the border area but maintaining a hands-off policy towards the organisation's leaders.

Few doubt now the determination by the Government of Mr Jacques Chirac to drive Eta out of south-west France. At the time of the Hendaye operation, 11 months go, a total of 16 Eta suspects had been handed over by France to the Spanish police under a new policy of summary expulsions that Mr Chirac introduced in July 1986. The number of handovers currently stands at 92.

Mr Arrospide, whose extradition was requested yesterday, will either be the ninety-third Eta member to be returned to Spain or will stand trial in France should the Bayonne magistrate pursue the fact that he was armed with a pistol.

Just why there should have been such a "qualitative leap forward" is open to speculation. But the most reasonable explanation has to do with a number of signals that the Madrid Government has issued in recent weeks calling for a "dialogue" with Eta to negotiate its surrender. Prime Minister Felipe Gonzalez touched on the subject when he visited President Francois Mitterrand at the end of the summer.

Eta's response has been a vitriolic statement which made impossible demands about self-determination and a car bomb blast in the centre of San Sebastian last weekend that killed one policeman and miraculously failed to injure any bystanders.

Accordingly, the French Government has abandoned whatever hopes it may have harboured for steering through a negotiated settlement and moved it collaboration in the battle against Eta into top gear. Mr Arrospide *is in fact held* to represent the most hardline sector of Basque separatism.

It is this development that, as Madrid sees it, drives Eta into its final corner.

West Germans urged to take a narrower view of the Fatherland

BY DAVID MARSH IN BONN

WEST GERMANY should give up any question of reunification with East Germany and accept that the patriotic concept of the "Fatherland'" covers solely the territory of the Federal Republic.

This provocative thesis, countering *the official line of* all Bonn governments since 1949 that the two German states form a single nation, was set out last night by Mr Richard Nospers, the mayor of the West German town of Saarlouis in the Saarland and a member of the federal opposition Social Democratic Party (SPD).

His speech is likely to add to the debate over inter-German relations stoked up by the visit here last month of Mr Erich Honecker, the East German leader. Saarlouis last year was the first West German town to *sign* a "twinning" arrangement with an East German community, the steel city of Eisenhuettenstadt.

Even though the West German Basic Law (provisional constitution) of 1949 sets down reunification as a fundamental state aim, popular opinion has been growing in the Federal Republic that East Germany forms a separate sovereign country. This feeling has been reinforced by Mr Honecker's ceremonial reception in Bonn last month, complete with the flying of the East German flag and playing of the country's national anthem.

Mr Nospers said last night that West Germany should abolish the annual June 17 Unity Day holiday, and he labelled as hypocrites people who wanted to restore a "phantom" unified Germany.

By evoking the *Vaterland* in his appeal for Germans to focus their patriotic feelings simply on the *Federal Republic*, Mr Nospers set down a plain challenge to Chancellor Helmut Kohl, who continually uses the term to embrace both East and West Germany.

The Saarluis mayor's speech took further the line promoted by the SPD that Bonn needs to give full recognition to the East German state as a means of improving human rights there.

On a question which has been a sticking point in East-West German relations, Mr Nospers said West Germany should recognise that East Germans *had separate citizenship, just as* it did in the case of countries like France, Austria or Poland. He termed "imperialistic" Bonn's present policy of giving East Germans automatic right to West German citizenship.

Pointing out that German history did not start with Bismarck, he also attacked as unsound the notion that the German "nation" should apply to the area delineated by the Bismarckian Empire of 1871.

Mr Nospers speech comes *closely after Mr Honecker again* this week rejected as illusory any ideas of German reunification.

The mayor's speech also underlines how both left and right in West Germany are increasingly appealing to citizens' new-found pride in their state. Mr Willy Brandt, the former SPD chairman, in his emotional retirement speech last June, twice mentioned the word *Vaterland*, although his remark that the Fatherland had become smaller drew criticism from right-wingers who accused him of renouncing Bonn's duty also to represent East Germans.

Portugal eases curbs on currency dealings

BY DIANA SMITH IN LISBON

Cavaco: spending curbs

PORTUGAL'S foreign currency market underwent a small revolution yesterday when the Bank of Portugal ceased to fix *buying and* selling rates, and the interbank market itself began to determine fixing according to volume and rates of trading in the crucial midday period when banks deal in foreign currency with each other.

At the same time, the escudo ceased to be the currency of reference in spot market dealings, which are now carried out with the daily dollar rate as reference. That is, banks wishing to buy D-Marks or sterling *trade on the basis of* the dollar rate, without reference to the escudo.

Until now, the Bank of Portugal has determined the daily fixing of a basket of the most-frequently traded 21 currencies, on the basis of international market rates and internal factors like reserve positions. From now on, the Bank of Portugal merely announces the daily dollar indicative rate, based on international rates: the market then trades at what price it will bear. *On the first* day of freely-fixed trading, the dollar rate announced by the Bank of Portugal for selling was Es 145.031: 45 minutes later the closing price was Es 145.038.

Market sources praised *the* smoothness of the first day's liberalised trading, for which dealers have been taking special courses.

The innovation is the latest in two years of gradual liberalisation of a foreign exchange market, once so rigidly controlled by the Bank of Portugal that all transactions had to pass through the bureaucracy of the central bank. *This meant that a bank* might clear as little as \$550 on a \$1m operation.

The Bank of Portugal has warned, meanwhile, in its latest economic bulletin that the pressure of private consumption and the worryingly-high volume of liquid assets in the hands of the public are likely to cause further credit restrictions.

In an attempt to stem a spate of private spending released after two punishing years of austerity in 1983-85, the *Cavaco Silva* government has already tightened monthly credit ceilings for banks, made hire purchase more costly, raised the price of mortgages for the first 10 years, and last weekend increased the price of petrol and other oil derivatives.

Dos Santos visit brings Angola a little closer

BY OUR LISBON CORRESPONDENT

THIS WEEK'S five-day state visit to Portugal by Angola's President Jose Eduardo dos Santos which focused strongly on contacts with Portguese businessmen *has made it possible*, in his words, to "begin a new chapter in Luso-Angolan relations."

In recent years, Angola's war-impoverished economy, Portugal's inability to offer the sort of credit that richer European countries can provide to African countries, and the active presence in Portugal of sympathisers of the South African-backed Unita rebel movement have not favoured strong economic ties.

Many Portuguese govern ments have faltered in their dealings with Portugal's potentially-richest former colony, but Mr Anibal Cavaco Silva's administration set a no-nonsense tone which culminated in Mr dos Santos's visit—the first state visit by an Angolan leader.

With the signature of an economic and technical co-operation agreement, plus accords on the training in Portugal of Angolan teachers, and Portuguese assistance with the Angolan media, the stage is now set for livelier relations.

Mr dos Santos repeatedly appealed to Portuguese businessmen to seek opportunities in his country, reminding them that economic restructuring is on the cards, including a review of foreign investment legislation.

There is no doubt that many Portuguese have nostalgic feelings for Angola, and the country's potential in oil and minerals, diamonds, coffee and other agricultural products would be highly attractive were Angola not riven by war between the ruling Marxist MPLA and Unita.

Senior Hungarian official assails austerity policy

BY *LESLIE COLITT IN BERLIN*

A SENIOR Hungarian Communist Party official has levelled devastating criticisms at the country's leadership for not permitting "alternative" policies to its unpopular economic *austerity programme* adopted by Parliament last month.

Mr Imre Pozsgay, secretary general of the Patriotic People's Front, a Communist-dominated body which includes all mass organisations, said the Front's support last week for the austerity programme amounted to a "rubber stamping" of the party's decision. His remarks were made in an interview with Radio Budapest last Saturday which has now reached the West.

The Hungarian official said the "leading role" of the party could not be envisaged without alternatives being presented in the decision-making process. But if the "decision-making merely amounts to blessing a decision already taken — rubber stamping it, if you like — then those who rubber stamped it do not feel compelled outside the chambers to represent it."

Mr Pozsgay is regarded as a radical liberaliser by party conservatives but is extremely popular among party members and non-affiliated Hungarians who want wide-ranging changes in political life. The leadership itself has admitted *that it can only* expect the population to support its economic belt-tightening by democratising political institutions.

Mr Pozsgay said the party's delay in announcing plans to democratise his organisation and the trade unions made it vulnerable to the "accusation of secrecy" and qualified the *whole* matter as a "tactical move" at a time of troubles.

Earlier, in a speech to the Front, he warned that in order to ensure that the present economic crisis does not develop into a "political crisis, open and modern political life is needed." He also remarked that not one of the countries which had overcome the world economic crisis was a Socialist country.

"This is something that makes one think over our entire structure," he said.

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SPIRALLING COSTS PUT PARTICIPATION IN JEOPARDY

Bonn doubts grow over Eurofighter

BY PETER BRUCE IN BONN

THE FATE of West German participation in the embryonic four-nation Eurofighter (EFA) project is likely to rest with a special West German cabinet meeting at Bonn's Defence Ministry complex on the outskirts of the city on November 11, according to politicians and officials here.

The meeting, called to discuss an extension of the Defence Ministry's medium term finance plans to 1991, also seems likely to focus on two expensive projects, the observers say, and may have to decide between the EFA and an anti-tank helicopter, the PAH2, which Bonn and Paris are trying to build.

West Germany faces costs of about DM 9bn (£3bn) if it goes ahead with the PAH-2, more than double what was first planned. The EFA would cost Bonn about DM 19bn to produce, also much more than planned because of increases in West German VAT and France's withdrawal from the project.

There is, apparently, growing opposition to the EFA from within the Defence Ministry itself, with army and navy officers fearing that their own budgets could be badly dented if the project is allowed to go ahead. In Parliament, the opposition Social Democrats (SPD) have called for the EFA project to be scrapped, and even in the senior government party, Chancellor Helmut Kohl's Christian Democrats (CDU), enthusiasm is said to be on the wane.

A Defence Ministry spokesman said yesterday that the Government would have to decide by the turn of the year at the latest whether to move from the present project definition phase to the development phase.

Mr Gerhard Stoltenberg, the Finance Minister, has come under unexpected and fierce budgetary pressure for this year and next year, and conventional wisdom in Bonn seems to be that the PAH-2 helicopter will survive but that the EFA is a less secure bet.

West Germany has just had its first joint military exercises with the French and the day after the special Cabinet sitting, President Francois Mitterrand and Chancellor Kohl meet in Karlsruhe. Bonn is keen to have the PAH-2 question settled by then.

France broke with the EFA partners—Britain, West Germany, Italy and Spain—because it wanted to build a lighter aircraft than they did. The French are now understood to be toying with a heavier version of their proposal—the Rafael—and may try to lure Bonn away from the EFA consortium.

That seems highly unlikely to succeed, though. It would outrage the British and Italians, for one, and leave the West Germans playing second fiddle again to the French on a major arms project. It is possible though that Bonn may look more closely at updating the McDonnell-Douglas F-18.

The cabinet will be under great pressure to approve EFA development spending when it meets on November 11 because Britain's Ministry of Defence is likely by then to have recommended the cabinet to go ahead with the project. If Bonn does decide to stay with the project, its decision would still have to be approved by the Bundestag's increasingly sceptical defence and budget committees.

Nuclear arms on Franco-UK talks agenda

BY IAN DAVIDSON

NUCLEAR ISSUES were expected to be on the agenda when Mr George Younger, the British Defence Secretary, and Mr Andre Giraud, his French counterpart, held one of their regular discussions of Anglo-French defence co-operation in Paris yesterday.

Officially, the French Defence Ministry declined to reveal the content of the talks. British sources were at pains to discourage speculation that nuclear questions would figure prominently on the agenda, and implied that a much higher priority was being attached to such issues as military co-operation between France and Britain in the Gulf, or co-operation on conventional arms procurement.

This latter issue was given new impetus by the recent conference on arms co-operation held in London, and commercial collaboration such as the recent accord by Alvis of the UK and Panhard of France to develop and market the latter's VBL light armoured cars.

Nevertheless, it seems clear that the French Defence Ministry is keen to see media attention being drawn to the issue of Anglo-French nuclear discussions. Yesterday, the Le Monde newspaper and the French news agency Agence France Presse both emphasised the nuclear aspect.

The possibility of Anglo-French nuclear co-operation was first broached at a meeting between the two ministers in Paris last March. At the time, Mr Younger said the aim was collaborate on all background aspects of the two countries' national nuclear deterrents, including arms control and the strategic environment. He played down the feasibility of discussing the question of joint procurement of nuclear equipment.

By contrast, questions of arms control and the strategic environment have gained new salience from the accelerated progress in the US-Soviet negotiations on the removal of all intermediate-range nuclear forces (INF) from Europe.

Officially, the prospect has received the approval of both the British and the French governments. But there is no concealing the fact that it has caused considerable private anxiety in Paris. Mr Jacques Chirac, the French Prime Minister, has made his misgivings public, saying that an INF agreement would only be a good agreement if it were the first step towards a wider agreement.

This week, Mr Chirac reiterated his misgivings to Mr George Bush, the US Vice President on a visit to Paris, and stressed the French Government's firm desire to see further progress in other negotiations, especially those on strategic nuclear weapons and conventional forces. After their meeting, Mr Bush said that there were very few differences between Washington and Paris.

UK drives lawnmower through noise curbs

BY WILLIAM DAWKINS IN BRUSSELS

LAWNMOWER noise has become the source of a neighbourly dispute between EC governments.

The row centres on two European Commission proposals for quieter sit-on mowers and new noise limits for the big—mainly British—cylinder mowers which give nobler lawns their velvet sheen. It has become so serious that Denmark, noise conscious president of the Council of Ministers, is to ask the Community's 12 international trade ministers to seek a way out.

The outcome will affect the competitiveness of mower producers across Europe. It is also a telling illustration of how the EC's grand drive to create a fully free internal market can all too often stall on a mole hill.

Most EC mowers already have to meet noise limits set two years ago. However, the Danes only accepted the rules on condition that the Commission prepare proposals for tougher limits for sit-on mowers. This the Commission has now done, the only problem being that Denmark thinks the suggestion that the noise limit for sit-ons should be cut from 105 decibels to 92 does not go far enough. They want 90 decibels, a level which most member states can accept, even if there are some doubts about the noisy Italians.

The real problem is that the limits for sit-on mowers cannot be agreed unless Britain can persuade its EC partners to sink their antipathy to its request that cylinder machines get special treatment. Mower noise tests apply to machines running flat out. This is fair enough, says the UK, for rotary mowers, because that is how they are run in normal use. But the bigger cylinder machines are designed to run normally at slow speeds.

The UK wants its cylinder mowers tested at 5kph, an idea which the other 11 member states reckon amounts to an unfair advantage.

Protest greets French remand reform plan

Legal 'revolution' threatens investigating magistrates

BY GEORGE GRAHAM IN PARIS

MR ALBIN CHALANDON, the French Justice Minister, has aroused predictable cries of outrage with his plans for the reform of the country's criminal law procedures.

His criticisms of the *juge d'instruction*, a combination of investigating prosecutor and criminal magistrate, are an attack on an institution that has existed since Napoleon.

"It is a revolution. I know the shock that my proposals will produce in our institutions," Mr Chalandon said.

These prosecuting judges, by general admission brutally overworked, are understandably upset at Mr Chalandon's view that they are too young and inexperienced and far too quick to throw their suspects into jail while they carry out their investigation.

France's *juges d'instruction* can be appointed immediately after their graduation from the national magistrates' college, at the age of perhaps 25. Although some remain in this branch of the judiciary all their professional lives, it is generally viewed as a young person's job. Many pass on later to other specialisations, where they act as judges without the same investigative function.

Mr Chalandon plans to take away their power to remand suspects in custody, giving it instead to a panel of three independent judges, and to insist on a minimum level of experience before a trainee magistrate can be named as a *juge d'instruction*.

There is still a widespread respect for the institutions of the Napoleonic Code, but recent scandals such as the Villemin affair, a messy murder investigation which has dragged on since 1984 through a series of blunders and is still far from resolved, have created considerable popular support for reform.

The Government has to act quickly. A reform of the criminal law procedures rushed through in 1985 by Mr Robert Badinter, the former Socialist justice minister — equally contested in its time by the magistrates — is due to take effect at the beginning of next year.

The Bandinter reform, which also entrusts the decision on whether to remand a suspect in custody to a panel of three but includes a *juge d'instruction* in

Albin Chalandon (above), the Justice Minister, considers France's 'juges d'instruction' to be 'too young, too inexperienced and far too quick to throw their suspects in jail.' But the institution dates from Napoleonic times and proposals for change have been met with cries of outrage

the panel, is unworkable, according to Mr Chalandon. It would certainly require the appointment of as many as 150 extra magistrates.

The budget for the judicial system is to be increased by 4.5 per cent in 1988, more than the average for French ministries, but not enough to pay for the Badinter reform.

Mr Chalandon therefore has to act swiftly to stop the Badinter law—whose spirit, he says, he fully accepts—from coming into effect.

His proposals, he says, would require 65 new magistrates' posts and another 35 court clerks.

But it is not just the law courts budget that Mr Chalandon is aiming at. His reform is aimed also at the other main problem faced by his Justice Ministry: the congestion of the French prison system.

With a total of 33,000 places available, the French prison system now has 49,000 inmates. Of these, 43 per cent have yet to face trial. This figure was even worse a year ago, but is still significantly higher than in West Germany (24 per cent) or the UK (20 per cent).

Mr Chalandon, who has aroused considerable opposition with some of his other proposals for dealing with prison overcrowding, such as the building of private prisons, aims to reduce the percentage to 30 to 33 per cent over the next two years with his reform of the *juge d'instruction* procedures.

Besides the economic argument, the extraordinarily high number of prisoners who have yet to face trial means a considerable number of miscarriages of justice. Last year, 2,246 people who had been remanded in custody were eventually acquitted or released.

Among the cases which aroused popular attention was that of Mrs Marie-France Tateceau, who spent a year in prison in 1984 charged with the murder of her boyfriend's mother. Although eventually released from custody, she then spent a further year still charged with murder until another culprit was found.

For the judges, the reform is just another variant in a long-running war against them and their reputation.

"The investigating magistrates are the only people who are in touch on the ground and with the police and who fully understand the dossiers. The idea is a panel of judges may be reassuring to public opinion but it is not adequate," said the central magistrates' union.

"The Minister of Justice wants this reform to reduce the number of people remanded in custody. In fact, the situation would be likely to get worse," argued the French association of investigating judges.

With the Badinter reform hovering, however, the one thing Mr Chalandon cannot do is leave the system as it is.

Champagne harvest risks losing its fizz

By Paul Betts in Paris

FRANCE'S Champagne producers are facing a nerve-racking harvest because of capricious summer weather which has turned 1987, in the words of Moet et Chandon, into "l'annee de tous les dangers."

Mr Yves Benard, the head of Moet's Champagne operations, said yesterday that producers had decided to risk delaying the harvest a few more days to try to increase the low alcohol level of the grapes.

"We are gambling that the current dry cool and sunny spell will continue for a little longer to ensure an adequate harvest," he explained.

Mr Benard expects the equivalent of about 280m bottles this year of average quality. This is below the record 1983 harvest of more than 300m bottles but higher than last year. Moreover, stocks are at a comfortable 670m, representing the equivalent of more than three years' sales.

Last year about 205m bottles were sold, 130m in France and 75m in export markets. Britain led the export league with 16m followed by the US with nearly 15m and West Germany with 9.4m.

The Moet-Hennessy group, which now accounts for as much as 20 per cent of all Champagne sales, has unsettled the industry by forging a novel association with one of the region's leading co-operatives, the Centre Vinicole de la Champagne, to boost the sales of its Mercier brand.

As part of the industry's efforts to increase its export sales, producers are drawing up a "quality charter" to enhance Champagne's quality and reputation.

Mr Benard also said yesterday that the price for Champagne grapes was lower this year at FFr 21.77 a kg compared with FFr 22.19 last year. He said Moet-Chandon, which sells three out of four bottles abroad, expected to sell around 31m bottles this year or about 5 per cent more than last year.

IMF AND WORLD BANK MEETINGS

Alexander Nicoll reports from Washington on a confrontation that highlights the frustrations of borrowers and lenders

Bankers goaded into showdown on Brazilian debt

PASSIONS are aroused in the international debt crisis. Brazil's confrontation with its creditors is becoming a showdown. It will determine the future course for many other Third World countries which have been struggling with debt burdens for five years.

Bankers, industrialised governments and multilateral institutions alike have been goaded by the Brazilian case into taking a final stand on the principles which have guided their handling of the protracted crisis.

At the annual meetings of the International Monetary Fund and the World Bank in Washington this week, Brazil has been the focus of the deepening frustrations of both borowers and lenders.

Developing countries feel that even though they have tried to adjust their economies their debt problems have only worsened. Treating with foreign creditors along conventional lines is increasingly untenable at home.

Moreover, they argue, banks have already recognized that their debt is substandard by taking large loan loss provisions and marking debt down to deep discounts in the secondary market. Debt strategy is bankrupt, and borowers should not have to service their debts at face value, they say.

"The situation of debtor countries is unbearable. Though an enormous effort was made, the results have been far below expectations," says Mr Luiz Carlos Bresser Pereira, Brazil's Finance Minister.

Against what threatens to become an inexorable progress towards widespread forced debt forgiveness, creditors are finally digging in. Countries such as Brazil, they say, with large economies and substantial resources, can and should service their debts.

"I don't believe that in Brazil, Mexico, Argentina, Chile or Venezuela we are dealing with countries that don't have the capacity to meet their obligations," argues Mr Bill Butcher, chairman of Chase Manhattan Bank.

"Provisions do not mean that we are renouncing our claims," says Mr Jean-Maxime Leveque, chairman of Credit Lyonnais.

He and other bank chairmen vehemently oppose Brazil's proposals for converting debt into securities in which the terms take into account the discounted secondary market value. This, Mr Leveque argues, amounts to cancellation of debt.

"We are of the opinion that a debt is a debt. It has to be repaid. Interest is interest. It has to be paid, even if we do accept lower interest rates."

If Brazil were to win what it is seeking, it would be better off than many creditor countries, Mr Leveque says. "I think they go much too far in asking for so many benefits."

Not all bankers take such a hard line. Indeed, many would say privately and a few publicly—such as Mr Alfred Herrhausen of Deutsche Bank—that banks should selectively consider forms of debt forgiveness and have already embarked along that road.

But bankers are united in dismissing the secondary market as extremely thin and as not providing a true indication of the debt's value.

The banks' tough response to Brazil's request for £10.4bn in loans without any undertakings on the economy—due to be delivered formally at a meeting in New York today—is being bolstered by official actions.

The Paris Club grouping of sovereign creditors has cancelled a rescheduling of Brazilian debt because the country has not met its undertakings. It said that agreement on an economic programme with the IMF is a prerequisite for future reschedulings.

The move underlined a circling of official wagons around existing debt strategy which was the predominant theme of this week's Washington meetings.

Mr James Baker, the US Treasury Secretary, reasserted the tenets of the initiative he launched two years ago: economic policy reforms to promote growth, to be financed by additional equity investment and new lending.

He embellished the Baker Plan by calling for a new IMF lending facility which would compensate debtor countries for events they could do nothing about—such as higher interest rates—but would at the same time give debtors' added incentive to pursue IMF-approved economic policy reforms.

Mr Michel Camdessus signalled that as the new managing director he will shake up IMF lending to cater for the longer-than-expected recovery of debtors from payments problems. But he also re-stressed the need for co-operative strategy aimed at restoring the debtor countries to external creditworthiness. "There is no satisfactory alternative to this approach."

All sides, however, are in agreement on the plight of the poorest countries, especially those in sub-Saharan Africa for which even relatively small debts are an excessive burden.

Most loans outstanding to these countries are official, and a momentum is building—though painfully slowly—among industrialised countries for a range of measures to aid them.

"The conscience of the developed world has been pricked," says Mr Bernard Chidzero, Zimbabwe's Finance Minister. As a result stepped-up IMF and World Bank lending as well as increased debt relief are likely.

The battleground is not, therefore, the debt of the poorest nations. It is that of middle-income countries, most of them in Latin America. On them, banks—mostly those which feel strengthened by the provisions they have taken this year—are digging in in a last attempt to protect the value of their loans and to ensure that any further money lent will be well spent.

Amassed against them is an array of arguments which suggest that the "muddling-through" of the last five years is proving to be little more than a gradual—and perhaps accelerating—process towards general default.

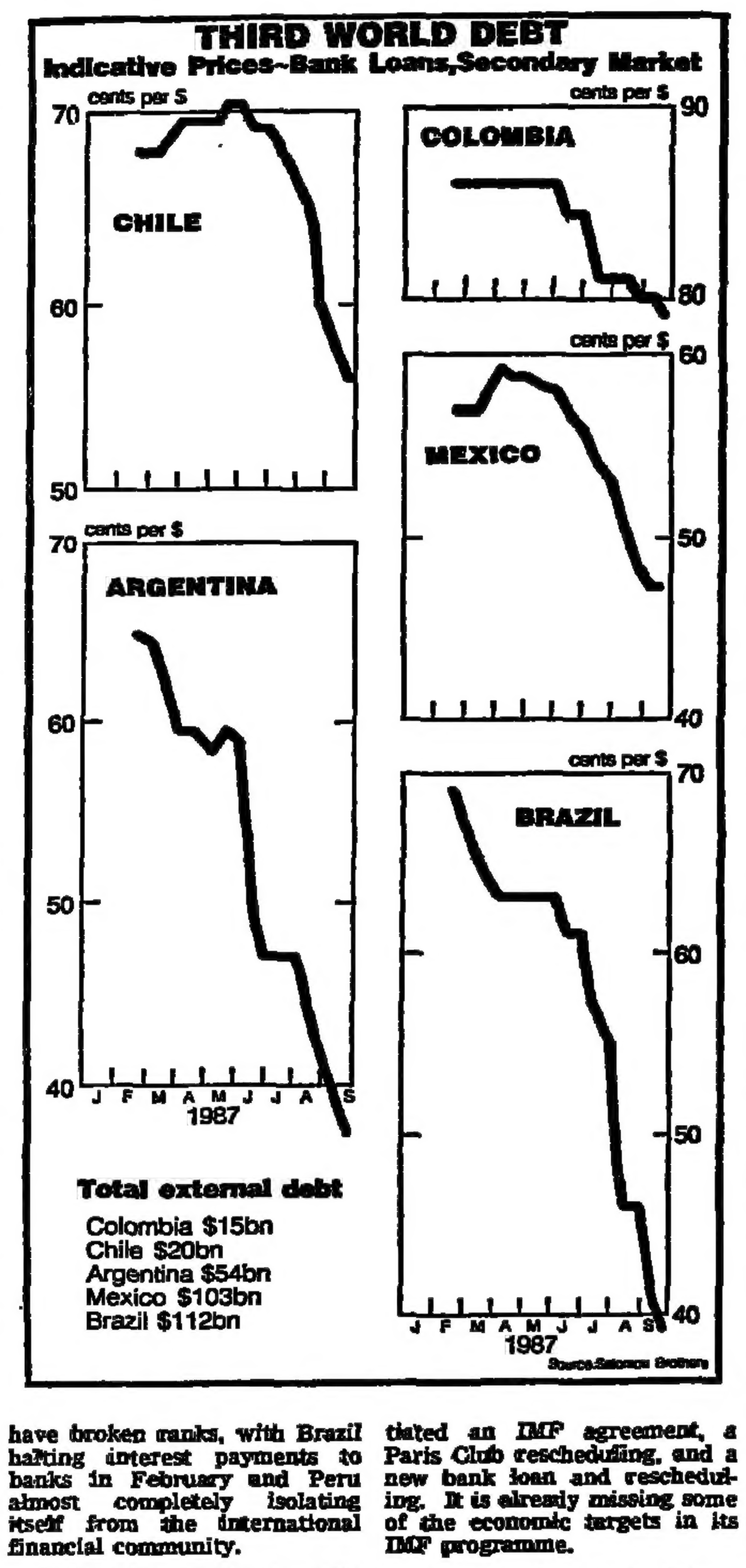
Debt service ratios have worsened, prices of export commodities remain very low, protectionist pressures are increasing in the developed world, and most recently interest rates have been rising—wiping out the benefit which countries have obtained by negotiating lower interest margins.

Debtor countries, instead of receiving money to help them grow out of their problems, have instead suffered huge outflows of resources in order to pay interest on their debts.

Domestic political climates have meanwhile moved heavily against austere economic adjustments.

A growing number of debtors have broken ranks, with Brazil halting interest payments to banks in February and Peru almost completely isolating itself from the international financial community.

Underlining waning domestic political support for the conventional approach is the recent electoral setback for President Raul Alfonsin of Argentina. This year his government negotiated an IMF agreement, a Paris Club rescheduling, and a new bank loan and rescheduling. It is already missing some of the economic targets in its IMF programme.



Alongside this bleak picture, however, it is also possible to sketch a more opitimistic one.

Mexico, in crisis a year ago, has turned around remarkably with the help of higher oil prices, has abundant reserves and has enjoyed a return of flight capital.

Venezuela has signed an agreement with the banks under which it will be repaying some debt principal. It plans shortly to seek new voluntary lending.

Chile is in good economic shape and has substantially reduced its debt through more than $2bn of debt/equity swaps.

Many other countries have carried out economic reforms, enjoyed real growth, reduced their current account and fiscal deficits and benefited from lower interest rates in recent years.

Yet even if one were to accept the second picture — of improving creditworthiness likely to lead to restored access to financial markets — it could become irrelevant.

If Brazil were to win terms significantly more concessional than those obtained by Mexico every other debtor would seek the same or better—especially those pursuing more orthodox policies, which would see Brazil benefiting from its own economic mismanagement.

"How can you reward Brazil when you don't reward Korea?" asks Sir Kit McMahon, chairman of Midland Bank, arguing that debt forgiveness is a very slippery slope to go down.

A generalised slide into forgiveness would create much more substantial provisions and write-offs—potentially bankrupting some banks—and virtually eliminate the incentive for banks to help finance troubled debtors.

Some would argue that this process is exactly what should happen, and the sooner the better. They say a default would not cut countries off from financial flows indefinitely. Previous defaults in Latin America have been followed quite rapidly by resumption of lending.

It is against this scenario of huge losses that banks are fighting, even if not with a wholly unified front. What weapons are in the hands of banks which want to hold the line?

Bankers believe that it is in the interests of countries such as Brazil not to cut themselves off from the international financial community, because they depend upon it for the financing of their day-to-day trade. Short-term trade and interbank credit lines are bankers' last resort. By cutting them, they could make life hard for a debtor country.

Brazil's lines have recently been falling away, bankers report.

Also in the bankers' armoury is the "menu of options" designed to provide a range of financing alternatives including the ability to swap debt into equity.

The menu includes "exit" bonds which would allow banks to escape from being repeatedly asked for new money and replace their loans with securities on more concessional terms.

Packages incorporating ingenious new financing methods, however, cannot be agreed unless debtor countries pursue acceptable economic policies.

The complaint of borrowers is that even when they do adopt IMF-endorsed programmes, the finance to support them is intolerably slow in coming. They point out, like Brazil, that commercial bank loans are in any case essentially made to finance bank interest.

Mr Mario Brodersohn, Argentina's Finance Minister, argues that the long-drawn out process of negotiating agreements with creditors destabilises economies as well as absorbing the time of the debtor country's financial managers. Then, because of the short-term nature of the agreements, the whole process quickly begins again.

Bankers agree that good behavers should be better rewarded. "When a country does things right, the financial community ought to be a little more forthcoming," says Mr Butcher of Chase Manhattan. A senior IMF official agrees: "If the policies are there, the money should be there from all sources."

In Brazil, the policies are not there. In the end, the fate of the debt problem will come down to the will of borrowers to carry out domestic economic reforms and the willingness of creditors—governments and banks alike—to support those that do. Progress on both fronts has been shaky.

The alternative for both sides are undesirable: poorly managed or underfinanced developing countries, and huge costs for bank shareholders and taxpayers in industrialised countries. With economic growth remaining sluggish and keeping a lid on debtors' export potential, there is a considerable risk that—despite the stand taken by the developed world this week—this is the path being taken.

Economic adjustment 'key to new financing'

By Alexander Nicoll in Washington

MR BARBER CONABLE, the World Bank President, stressed yesterday that adjustment of economies in developing countries remained essential if they were to have access to external financing.

"Adjustment is the key to bringing about new financial flows," he told reporters as the annual meetings of the Bank and the International Monetary Fund neared their end.

Mr Conable's remarks underlined the clear message which has this week been sent to developing countries, against their protests that they have already done as much as they can to reform their economies.

If countries did not adjust, Mr Conable said, both commercial banks and the World Bank would simply view new loans as adding to the stock of debt.

But if there were adjustment leading to growth, new financings would be progressively less significant as a proportion of growth, Mr Conable said.

He forecast that there would be continuing dialogue between all the players in the Third World debt crisis about the relative burdens which each should shoulder.

Each participant—commercial banks, developing countries, industrialised governments and international institutions—"will all take stands to get a relative advantage in the process of negotiation, which must go on."

Financing mechanisms such as debt/equity swaps would take some time to have a significant impact on the amount of debt outstanding.

Mr Conable welcomed Japan's decision to participate in the replenishment of the International Development Association, the Bank's concessional lending affiliate. Japan's contribution had taken the replenishment above the level needed for it to take effect.

US foreign debt blamed for gloomy outlook

THE US foreign debt has been blamed for a gloomy worldwide economic forecast by the World Bank, AP reports from Washington.

Mr Jean Baneth, the bank's top international economist, said the debt would rise if the US continued to buy more than it sells even at current levels.

The US holds the largest number of shares in the bank, which is owned by 151 governments.

"Global economic perspectives are in our view, not very good," Mr Baneth said yesterday. "I think there is a remarkable consensus that growth in the industrial countries will remain slow. Where you might find less of a consensus is (on) how bad a thing this is."

He said the rise in US imports over the years had helped other countries by allowing them to sell more goods.

Mr Baneth distributed some updated figures that showed the average income in the US at $17,450 in 1986, ahead of all but Switzerland, with $17,870. But its increase last year was slower than in nine other industrial countries: Norway, Sweden, Denmark, West Germany, Australia, Austria, Britain, Italy and Spain.

Mr Baneth had a new table showing average incomes declining last year in country after country: in Rwanda and in Communist-ruled South Yemen by as much as 8 per cent. In Mexico, the financial situation of which is now being praised, the drop in average income last year was from $2,100 to $1,850.

Argentina backs Baker move

BY TIM COONE IN BUENOS AIRES

ARGENTINIAN Finance Minister Mr Mario Brodersohn has described as positive the proposals made this week by Mr James Baker, the US Treasury Secretary, to modify the role of the International Monetary Fund to favour growth in the debtor countries.

Mr Baker's proposals include the creation of an additional financing facility by the Fund and making loan disbursements on a six-monthly rather than a quarterly basis for standby agreements of more than 18 months' duration.

Speaking in Washington to the Argentinian news agency Telam, Mr Brodersohn said that the proposals would not resolve all the problems on the foreign debt. But "it is a step in the right direction . . . Argentina has been insisting for some time that the foreign debt can only be paid in the context of growth. In 1985 Mr Baker emphasised the role of the commercial banks. Now he is emphasising and trying to adapt the role of the IMF and the World Bank to this policy of growth."

Mr Dante Caputo, the Foreign Minister, returned from the US on Wednesday evening, after eight days of talks and meetings with US Administration officials including Mr George Shultz, the US Secretary of State.

He also met bank executives and spoke to foreign diplomats at the UN, primarily to discuss the foreign debt issue. In a speech delivered at the UN last week he claimed that the foreign debt problem was "the biggest threat" to Argentina's democracy.

Mr Caputo, along with Mr Juan Sourouille, the Foreign Minister, were last month called on by President Raul Alfonsin to lead an international campaign on behalf of Argentina to obtain a reduction and freezing of interest rates.

On his return to Argentina, Mr Caputo played down expectations of any major advances towards their goal but was nonetheless positive, saying: "No one expects that from meetings such as these will come any immediate new plans, but it is very important for us that at various levels in the US government, not only in the economic sphere, but also in the political sphere, that the foreign debt problem has been understood."

In his meeting with Mr Shultz he said that by "special request" of President Alfonsin he had emphasised "to what extent the foreign debt issue is a substantial problem for Argentina."

He added that three points had been emphasised during the various talks—namely that Argentina did not intend taking unilateral action on the debt issue, that the variation in interest rates was creating instability and uncertainty in the Argentine economy, and that the conditions that have been attached to IMF loans "have further reduced our room for manoeuvre when there are legitimate demands and a need for development."

Iranian attacks return Japan to firing line

BY ANDREW GOWERS IN DUBAI

JAPAN HAS been dragged back into the Gulf firing line, with at least two Iranian attacks on Japanese-operated ships confirmed in the last 24 hours.

Dubai shipping agents reported yesterday that two tankers, the 236,425-tonne Liberian registered Western City, on charter to Mitsubishi Oil, and the 237,586-tonne Nichiharu Maru, owned by Japan's Nissho Shipping, had been fired on by Iranian gunboats close to the Strait of Hormuz on Wednesday night. There were unconfirmed reports that a third, believed to be called the Nissei Maru, was also hit in the Gulf of Oman. It was not clear how much damage the ships sustained, though no casualties were reported.

The incidents—though not necessarily motivated by any Iranian hostility to Japan—are bound to increase alarm over the Gulf conflict in Tokyo, which has studiously endeavoured to maintain a neutral stance in the war, to keep lines of communication open to both sides and to resist international moves aimed at imposing sanctions on Iran.

Japan has none the less become inextricably associated with Western efforts to contain the war. Japan is especially dependent on Gulf crude, deriving well over half its oil needs from the region. Mr Yasuhiro Nakasone, the Prime Minister, has also promised to try and arrange a financial contribution—though not a military one—towards the cost of maintaining freedom of navigation there.

There is a limit to what it can do to avoid further attacks. A few weeks ago, when the tanker Nisshin Maru came under Iranian attack, the Japanese shipping industry and trades unions simply ordered a token two-day boycott of the region. Some shipping agents believe at least one of the tankers hit this week may have been trying to insure itself against attack by loading up both with Arab and Iranian crude.

There have been warnings of new Iranian-laid minefields in the northern Gulf between Bahrain and Kuwait and in a key shipping channel just off Dubai—the latter of which is now being swept by British minehunters.

Yesterday also saw an Iranian attack on the 80,000-tonne Pakistani motor tanker Johar—sailing close to a French and a Soviet warship—and another Iraqi claim to have hit an Iranian vessel off the Iranian coast. There is no mistaking the intensification of the tanker war this week, with Iraq now claiming 12 attacks on Iranian shipping since September 21—eight of them independently confirmed—and Iran now stepping up its response.

Aquino denies giving jobs to communists

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino yesterday categorically denied that there were any communists in her Government. She was responding to opposition and military charges that are increasingly looking like a smear campaign.

It is the first time Mrs Aquino has commented on the charges since Vice-President Salvador Laurel said last month that he had a list of "leftists" and "communist sympathisers" in government that was prepared by military intelligence.

Mr Laurel handed the list to a Senate committee on Tuesday but changed his earlier charges that the Government contained communists to a testimony that it contained "leftists." Although a few of the people believed to be on the list were radical thinkers during the years of former President Ferdinand Marcos, most of them appear to think along the lines of British Labour Party centre or West Germany's Social Democrats.

The common theme in a similar list of alleged "leftists" produced by military intelligence before Congressional elections in May was that the people had been active in opposing Marcos.

Peking's courtyards give way to high-rise block

Robert Thomson reports on the problems of finding a home in China

AN INSPIRATIONAL banner above the entrance to the Xuanwu housing exchange makes clear to all comers that the home hunt is not going to be easy: "Try 100 times to find a house."

The makeshift exchange, run by a trade union in the south of Peking, is a haven for the hard sell. Shi Guiyang, a 46-year-old former radio factory worker who wants to move closer to her children, carried on a placard the vital statistics of her four-roomed semi-detached and the details of her dream home.

Her chances of swapping are far better than Lao Hao, an elderly man with tatty shoes and a 14 sq m hovel that he wants to leave behind for a small place close to town, preferably with a garden: "I would like some room to plant flowers."

The problem of accommodating a billion people has forced the Government to review its housing strategy and has inspired ordinary Chinese to come up with their own solutions. While finding a home is difficult, moving from an unsatisfactory state-assigned home to something more to your liking is almost impossible—hence, housing swaps.

Urban Chinese can wait up to a decade to be assigned a home and the Government has been encouraging the homeless in mountainous regions to move into caves. An estimated 40m Chinese now live in caves — suposedly cooler in summer and warmer in winter than conventioinal dwellings — and extra money has been allotted to

In building design, function is far more important than form, so the apartment blocks are all the same

equip them with running water and modern sewerage facilities.

"*Guanxi*" or connections are needed to get most things done in China and are particularly important for house-hunters, who have to rely on their work unit or a central housing bureau to provide them with a rental accommodation. A bribe or an influential relative will help a young couple jump the queue and during the present crackdown on corruption, party cadres "taking advantage of their position" to do housing favours for friends have come under repeated attack.

A just-completed national housing survey has found that the 200m urban Chinese have an average of 6.36 sq m of living space, though in some parts of Shanghai, the most populous and congested of Chinese cities, the figure is little more than 2 sq m.

As one Chinese newspaper lamented: "There are too many cases of two or three generations living in one crowded room, young people yearning for a single room where they can set up their bridal bed and married couples who are still living with their parents."

The queues lengthen despite the hundreds of off-green and fawn apartment blocks that have sprouted in the past decade, making urban China most unlike the rustic place many foreigners imagine it to be. Old courtyard-style houses are disappearing fast in Peking to make way for clusters of high-rise, low-rent flats, all of which seem to come from the same bland mould.

The Government has experimented with private sales in 17 cities since 1982, but has yet to reduce the rent subsidies that make buying a house an unattractive proposition. Most Chinese pay only 1 per cent of their income in rent, down from 2.6 per cent two decades ago, and even Deng Xiaoping, China's paramount leader, admits: "If house rents are too low, people won't buy houses."

While the Government fears that increasing rents to make them more representative of the cost of an apartment will provoke a reaction against economic reform, a shortage of construction funds forced officials to decide this month to push ahead with rent reform. The state hopes to sell more houses and devote that revenue to housing construction.

Chen Junsheng, the director of the housing system reform office, said that housing reform was "as important as wage and price reform." The comparison highlights the main problem—price reform. Bringing prices more into line with the costs of production by reducing subsidies has been put on hold this year following an increase in inflation, which is a sensitive polictical issue.

Mr Chen emphasised that

The problem of housing a billion people has forced the Government to review its housing strategy

reform will make the present irrational consumption and distribution systems "rational." But, as he well knows, the political often gets the better of the rational in China.

At present, rents are not even enough to cover maintainance costs, so buildings built three years ago look 20 years old. Then there is the problem of poor construction. A group of faulty high-rise flats in Peking has been unoccupied for several years because the work unit involved does not have the money to make needed repairs.

Chinese officials at last seem to be aware of the social problems caused by high-density high-rise living and are taking more trouble in landscaping new suburbs. But they insist that in building design, function is far more important than form, so the apartment blocks are all the same.

A few symptoms of the overcrowding surfaced at the Xuanwu housing exchange, where one of the most common reasons given for moving is troublesome neighbours. A neighbourhood committee first tries to counsel feuding families and, if that fails, one family is likely to try to find a new home.

Li Yonggui, the exchange director, said the swappers do not generally resort to the housing hyperbole common among real estate vendors in the West, probably because he and other officials who inspect houses before they are put up for swapping vet the claims.

Japan plans to spend $12bn on development aid

BY IAN RODGER IN TOKYO

JAPAN has made commitments totalling $12.32bn out of its widely publicised plan to recycle more than $30bn of its current account surpluses through new aid to developing countries over the next three years.

The Foreign Ministry yesterday published a progress report on the recycling scheme, showing that progress had been most rapid in the Government's own subscriptions to international agencies.

It has loaned roughly $3.6bn to the International Monetary Fund, another $2.6bn to the International Development Agency and a further $1.3bn to the Asian Development Fund.

The $30bn aid package, all of which is untied, was developed over the past year partly in response to criticism that Japan was not playing a role in international development commensurate with its vastly increased economic importance.

The first phase, amounting to $10bn and consisting mainly of government contributions to international agencies, was announced last December. The second, amounting to over $20bn, was announced by Mr Yasuhiro Nakasone, the Japanese Prime Minister, when he made an official visit to Washington in April. At the time Japan was coming under heavy criticism from the US authorities for its aggressive trading practices

According to Foreign Ministry officials, more than 80 per cent of the initial $10bn has already been committed. In addition to the $7.5bn commitments to the IMF and multilateral development banks, $850m has been raised by the World Bank in the Tokyo market.

Progress on the second phase has been slower. The plan is to provide about $8bn in assistance through multilateral development banks and $12bn in loans from Japanese channels. Of the $12bn, about three quarters is expected to be co-financed by the Overseas Economic Co-operation Fund, Japan's Export-Import Bank, and Japanese private sector banks with the remainder being straight Export-Import or private sector loans.

Six executives convicted in Conic fraud trial

By David Dodwell in Hong Kong

SIX FORMER executives in Conic Investment, which with its private associate Honic used to be Hong Kong's largest electronics manufacturer, were yesterday found guilty in the territory's high court of conspiracy to defraud shareholders and creditors.

The decision comes after a 125-day trial—the second longest in Hong Kong's history after the recently closed Carrian fraud trial—and a record 27 hours of deliberation by the jury.

Conic floundered in May 1984, after its former chairman, Mr Au Yan-Din, disappeared owing the group more than HK$100m. Mr Au is thought to be in Taiwan.

The six former Conic executives, Tam Chungshing, William Chan, David Lo, Lam Chungkiu, Chambers Wong and Alex Wong, were found guilty of conspiring in 1983 and 1984 with the former chairman to defraud shareholders and creditors by falsifying the accounts concerning two fictitious transactions. Sentencing has been deferred until today.

Angolan bomber claim denied

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Defence Force yesterday denied Angolan Government news agency reports that a Mirage jet fighter bomber had been shot down in action over southern Angola.

Earlier this week South African military spokesmen declined to comment on Angolan reports that South African armoured units had also been involved in ground battles against Angolan forces up to 200 kms inside Angolan territory and that South African jet fighter bombers had flown bombing raids in support of Unita rebel forces.

Despite the denials, reports from southern Angloa indicate that Unita troops led by Dr Jonas Savimbi have again beaten off a large-scale military offensive by Cuban and Soviet-backed Angolan Government forces along the line of the Lomba River, some 50 kms north of the abandoned southern Angolan town of Mavinga.

South Africa makes no secret of its support for Unita which also receives Stinger ground-to-air missiles and other military equipment from the United States.

● The official death toll in the worst South African floods in living memory rose to 138 yesterday as the insurance industry braced itself for damage claims of more than R450m.

Although the main highway linking Durban with Johannesburg was re-opened yesterday, rail links were still cut by mudslides and washed-away bridges and embankments.

Peres turns to US Jews

BY ANDREW WHITLEY IN JERUSALEM

A FRESH row has erupted within the coalition Israeli Government over an appeal to American Jews by Mr Shimon Peres, the Foreign Minister and Labour Alignment leader, to back his proposal for an international peace conference on the Middle East.

Fighting for his political life, on Wednesday Mr Peres took the highly unusual step of calling on the powerful Conference of Presidents of American Jewry in New York to intervene in Israel's heated domestic dispute on the subject. By tradition, Diaspora Jewish communities stand aloof from internal Israeli politics, backing whatever stand is adopted by the Government.

The refusal of Mr Yitzhak Shamir, the hard-line Likud Prime Minister, to consider the conference proposal has blocked recent advances in the peace process. In frustration, the Labour leader has thus turned to a constituency which can exercise considerable clout with Jerusalem—if it so wishes.

Leak damages Dukakis campaign

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE campaign by Governor Michael Dukakis of Massachusetts for the Democratic presidential nomination has been badly shaken by the disclosure that two of his aides prepared an "attack video" which triggered the withdrawal of his rival, Senator Joseph Biden. The affair has fostered the impression that the Democratic Party is fielding accident prone candidates.

A grim-faced Governor Dukakis was forced to concede that his top aides Mr John Sasso and Mr Paul Tully were the source of a video cassette which juxtaposed a speech by Senator Biden and one by Mr Neil Kinnock, the British Labour Party leader, to show how Senator Biden had copied without attribution the British politician's words and gestures.

Only two days before, faced with a report in Time Magazine that it was his campaign which had leaked the video film to the press, Governor Dukakis had vigorously denied the charge. The episode has damaged his presidential bid in various ways.

He has been calling for party unity and presenting himself as the competent political executive whose managerial expertise has helped to create an economic boom in Massachusetts.

That image has been dented by the disclosure he did not apparently know what his own top campaign aides were doing in his name and by the evidence that they initially misled him about their involvement in the attempt to embarrass Senator Biden.

Governor Dukakis has also diplayed indecision about how to respond to the disclosures. After first announcing on Wednesday that Mr Sasso would take a two-week leave from the campaign, later in the day he disclosed that he had accepted the resignations of both Mr Sasso and Mr Tully, who had been working for Senator Gary Hart and joined the Dukakis camp earlier *in the year after Senator* Hart dropped out.

The departure of Mr Sasso in particular is seen as a body blow for Mr Dukakis. Mr Sasso is the man who masterminded the governor's 1982 election campaign.

Mr Sasso has been the governor's alter ego in Boston where he is credited with charting Mr Dukakis's sure-footed course through the minefield of competing interest groups he has had to contend with as he sought to balance his pro-business policies with the need to retain the support of traditional Democratic voters.

Governor Michael Dukakis

Brazil's inflation rate drops

BY ANN CHARTERS IN SAO PAULO

BRAZIL'S inflation rate fell to 5.68 per cent in September, according to IBGE, the government institute responsible for economic data. This brought inflation to 15.8 per cent in the three months since Mr Luiz Bresser Pereira, the finance minister, introduced his anti-inflation plan.

Financial markets had expected a slightly higher figure, after August's figure of 6.36 per cent. The IBGE said that higher urban transport costs, increased food prices and more expensive restaurant meals contributed most to the result.

The low inflation rate reflects the continuation of price controls in many industries. Businessmen said that shortages and extra charges on price-controlled items were starting to appear, but not yet as forcefully as this time last year when the government tried to keep the lid on prices as *the November* election approached.

Recent government authorised price increases include a 5 per cent increase for bread, a staple in the Brazilian diet, and an 8 per cent rise in wheat flour. Taxes on meat increased 5 per cent in September but butchers are reluctant to pass on the charge because consumers have cut back on their purchases.

The car industry received government permission for a 10.84 per cent price increase. This reflects increased prices of steel, petrochemical products, rubber, aluminium and some components.

President Jose Sarney has approved a bill which requires companies to pay transport costs for employees earning up to three times the minimum salary, now Cr 2,640 ($52) per month. The new law extended the benefit to 14m workers, nearly 80 per cent of the workers earning these wages, up from 1.5m workers covered by previous legislation.

President Sarney also announced a government action plan for investments of Cr 14.3 trillion ($280bn), over five years beginning this year. Sixty five per cent of the investments are to be made by the private sector. The plan projects the creation of 8.4m jobs and doubling income for 40m Brazilians.

US critics get tough over aid to Pakistan

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE FUTURE of US foreign aid to Pakistan is emerging as another in a series of contentious foreign policy issues dividing the White House and Administration critics on Capitol Hill.

On Wednesday night Congressional authorisation for the US to continue its $4bn aid programme to Pakistan ended when a waiver expired which allows the Administration to make aid payments in spite of concerns that Pakistan is breaching US non-nuclear proliferation laws.

The issue of whether to resume aid payments and under what conditions will now be debated on the floor of both chambers in Congress. The Administration is expected to argue, as State Department officials did on Wednesday, that cutting of aid sends the wrong signal to Pakistan, a country whose help is crucial to Western efforts to supply anti-Soviet rebels in neighbouring Afghanistan.

On Capitol Hill, however, critics of Administration policy are arguing that Washington needs to give a higher priority to the issue of impeding alleged efforts by Pakistan to develop nuclear weapons.

Illness puts off FBI chief's swearing-in

THE SWEARING-IN of Mr William Sessions as FBI director was postponed indefinitely yesterday after he was taken ill, AP reports from Washington.

Mr Edwin Meese, the Attorney General, asked as he left George Washington University Hospital what was wrong with Mr Sessions, said: "We don't know yet, for sure. They're doing some tests to find out."

Mr Sessions was confirmed on Friday to succeed Mr William Webster in the top job at the Federal Bureau of Investigation. Mr Webster became head of the Central Intelligence Agency.

US scientist urges allies to back Soviet offer on SDI

BY DAVID BUCHAN

THE recent Soviet offer to negotiate precise limits on what sort of space-based missile defence could be tested by the two superpowers could lead to a verifiable accord, according to a leading member of the Federation of American Scientists.

Mr John Pike said yesterday in London, while on a European visit to lobby US allies to press Washington to negotiate limits to Strategic Defence Initiative research and development, that the proposals presented by Mr Edward Shevardnadze, the Soviet foreign minister, to the US last month mirrored closely ideas which the FAS had urged on Soviet scientists for the past three years.

The Soviet proposals are for limits on the brightness of lasers, the size of mirrors to reflect laser beams, the speed of interceptors and the strength of nuclear power sources that could be tested in space. Mr Pike said most of such limits could be verified by existing national satellites and radars, though checks on laser brightness would require special cameras placed near the lasers while reactors on satellites would have to be checked before launch, as recently proposed by the Soviets.

Among President Reagan's inner circle of arms control advisers, only Mr Paul Nitze is known to be sympathetic to negotiated limits on SDI development.

Ortega orders troop pull-out

BY PETER FORD IN MANAGUA

SANDINISTA troops will withdraw next week from nearly 1,500 square kilometres of the most fought-over territory in Nicaragua, President Daniel Ortega announced.

The partial unilateral ceasefire will start on October 7, along with an amnesty to Contra guerrillas.

Under the Central American peace plan, all governments fighting guerrilla wars are due to arrange ceasefires and amnesties by early November.

At midnight on October 6, Mr Ortega announced Sandinista army troops will vacate zones in the mountainous northern provinces of Jinotega and Nueva Segovia, and in the central southern department of Nueva Guinea.

These are all zones where the Contras are most active, and where the government has set up regional peace commissions to welcome any rebels willing to hand in their arms.

Mr Ortega said that self defence militia, comprising armed peasant farmers, would remain in the ceasefire zones. The army also reserved the right to repel with all the means at its disposal any attack by counter-revolutionary forces against the militia or civilians, any Contra operation against the army launched from a ceasefire area, and any Contra effort to impede transport through the areas, an official communique said.

"We are certain that many people involved with the counter revolution in these zones will abide by the ceasefire, and take the amnesty," Mr Ortega said.

"Ideally, this partial ceasefire will gradually become a total one," he added.

The US administration has decried Managua's unilateral move to reduce the fighting, saying that the Sandinistas should have negotiated a ceasefire with the Contras.

Sandinista officials have said repeatedly they will not negotiate with the Contra leadership, but intend to build an overall ceasefire from a series of local arrangements with individual rebel field commanders.

Alarm spreads in Brazil over forest destruction

Anne Charters in São Paulo reports on the impact of slash-and-burn agriculture on remote Brazilian forests

PRIMITIVE "slash and burn" agriculture practised even in remote areas of the wild far western states of Brazil is raising alarm in addition to smoke.

Clouds of smoke thousands of kilometres away are recorded in satellite scans of Brazil's vast territory and picked up at a receiving station 10km from São José dos Campos, a growing aircraft and space industry complex east of São Paulo.

Taking advantage of free information from the US meteorological satellites – Nos 9 and 10 – the Brazilian Institute for Space Research has for the first time this year started new studies of weather conditions that affect the environment and the atmosphere over the South American continent.

Included in this data collection is the alarming discovery that vast areas are being burned in the western state of Rondonia near Bolivia, in the northern part of the bordering state of Mato Grosso, in the south-west of Para State and to a limited degree in the state of Acre which borders on Peru.

The findings on fires in the western Amazon Basin has so shocked scientists that field trips are slated for October, to investigate why a total of 150,000 square km, an area equivalent to half of Norway, has gone up in smoke this year. The trips are intended to evaluate how much of the burning is related to virgin forests.

The Amazon Basin encompasses 4.8m square km, but the area of still virgin forest is under threat.

Mr Albert Setzer, the scientist co-ordinating the project on the detection of burning for the institute, said that some of the areas being burned were not virgin forest but pastures that have been burned before.

"The dryness this year has encouraged burning," Mr Setzer said. "But if it is new land being cleared, it's cheaper to use a box of matches than hire a tractor to remove the vegetation."

The Brazilian Institute of Forest Development (IBDF) charged with monitoring the country's natural vegetation has followed the shrinkage of the Amazon forest with satellite pictures since 1968.

Woefully understaffed, the institute's most recent figures on the millions of hectares of destroyed natural vegetation are four years out of date for many of the states in the area and nine years out of date for the state of Amazona.

Mr Cirineo Jorge Lorense, a forest engineer with IBDF, said that the daily bulletins on major burnings, received from the Institute on Space Research, are relayed to the single forest range of posts in each state with map co-ordinates on where larger burnings occur so that they can be investigated. According to Brazil's forest code depending on the topography of the land as much as 50 per cent of natural vegetation has to be preserved.

That is the theory, but the practice is far different. The far western states are over-run with migrants looking for land and a new life.

Mr Orestes Muniz Filho, the Vice Governor of Bondonia, told a potential investor recently that 10,000 people a month flood into the state, seriously over-taxing what little in*frastructure exists. The state has no* resources to police the settlers activities.

Those who try to farm resort to burning to clear vegetation. Mr Maza Katayama, an agronomist with Cotia, a large co-operative with a farming settlement in Mato Grosso, said that within the co-operatives land burning was prohibited because it killed the organic material in the soil but that the practice was common elsewhere because it was cheap.

After burning vegetation, the land is usually planted with rice. The land may yield crops for 10 years despite this practice, but it means no fertile land is left for the farmers' children. Up to now, few farmers have had to worry about productivity because the amount of undeveloped land is so vast.

Even those who will take crops between soya beans and wheat in Mato Grosso often burn the wheat stocks rather than plough them under for natural compost to gain time for a second crop the same year. If a disease or insect plagues a crop, burning is inexpensive eradication.

"It's not correct, but it's common," another Cotia agronomist lamented.

Landowners worried about expropriation of their land for agrarian reform also burn hectares to show that they are "developing the land" and children burn land to force out worms for a hefty $1.50 each to sell to fishermen. Education on the damage from burning and investigations as to what is being burned are not likely to change farmers ways until they can afford alternatives, or are forced to consider future generations.

Gatt expected to rule against Japan on spirits

BY IAN RODGER IN TOKYO

THE JAPANESE authorities appear to be bracing themselves for a condemnation by the General Agreement on Tariffs and Trade (Gatt) of the country's taxation system on imported wines and spirits.

A Gatt panel has been studying these taxes since early this year, following a complaint by the European Commission on behalf of the European spirits industries and, in particular, Britain's scotch whisky industry.

Yesterday, a leading Japanese newspaper, the Nihon Keizai Shimbun, reported that the Ministry of Finance would revise the spirits tax system early next year, having learned that the Gatt panel had decided that the system discriminated against imports. The Ministry denied this report.

The EC charged that the Japanese spirits tax system imposes unreasonably high taxes on imported wines and spirits while exempting most locally made products from the highest tax rates. Consequently, EC wines and spirits are very expensive in Japan, and so their market shares have remained relatively small.

The Japanese government has resisted changing the tax system because of strong representations from the domestic drinks industry. The timing of the Gatt panel decision is rather awkward for the ruling Liberal Democratic Party, which has a campaign under way to choose a successor to Mr Yasuhiro Nakasone as prime minister. Some observers fear that the leadership candidates may be tempted to make imprudent commitments to win the support of the powerful drinks lobby.

However, the Japanese are very poorly placed to ignore a decision of a Gatt panel. Japan has been one of the major beneficiaries of the free trading system under the Gatt. Japanese government leaders are constantly extolling the virtues of this system.

These leaders know that if they veto the panel's judgment, they will face a torrent of abuse and probably retaliatory action from their trading partners.

William Dullforce in Geneva adds: Mr David Woods, the Gatt spokesman, confirmed that the disputes panel has completed its report, which has been sent to the two main parties and will be distributed to other Gatt members in mid-October. It will probably be submitted to the Gatt council at its meeting on November 10-11.

KWU wins plant deal in Turkey

By David Barchard in Ankara

THE TURKISH Electricity Authority has awarded a contract to build a 1,200MW power-plant fired by Soviet natural gas to a consortium led by Kraftwerk Union of West Germany.

The contract will cover construction of the plant and installation of equipment on a turnkey basis. Total cost is expected to be about $410m.

Other members of the consortium include KWU's parent company Siemens SGP, of Austria, and Etmas and Kutlutas, two local companies.

The consortium will be expected to provide 100 per cent financing for the project which will have six units each consisting of two 100MW gas turbines and a 100MW steam turbine.

The KWU bid appears to have pulled ahead of the two other contenders, consortiums headed by Mitsubishi of Japan and Enka of Turkey by having slightly higher net productivity at 51.37 per cent and nearly 200 MW higher total output than the other bidders.

Initial supplies of Soviet natural gas are expected to reach Turkey shortly from Bulgaria. Eventually Soviet gas will be a major source of energy for the industrial regions of Turkey as far as Istanbul

John Wyles in Rome interviews the minister piloting into law new foreign exchange rules

Italy moves to end tradition of controls

'Henceforth, all foreign exchange transactions will be permitted unless specifically controlled by law. Until now everything has been forbidden, unless specifically authorised'—Mr Renato Ruggiero, Italian Minister for Foreign Trade

ITALY'S crab-like progress towards fuly liberalising capital movements was given a decisive push forward at the end of last week with the final approval of radically new legislation.

When it comes into force on October 1, 1988, the philosophy which has underpinned Italian controls on capital movements for more than 50 years will have been turned through 180 degrees.

"Hencefordward, all foreign exchange transactions will be permitted unless specifically controlled or forbidden by law. Until now everything has been forbidden unless specifically authorised," says Mr Renato Ruggiero, Italy's Minister for Foreign Trade, who piloted the legislation through its final stages.

There was a curious symmetry about Mr Ruggiero's involvement. A diplomat for most of his life, he has been Italy's permanent representative to the European Community and is an energetic evangelist in favour of political and economic integration.

The foreign exchange law sets out the framework and the rules which will allow Italy to participate fully on that magic day, officially scheduled for 1992, when the European Community is supposed to remove all its internal barriers to the free movement of goods, people and capital.

As such, it marks a fundamental break with Italy's past. Restrictive foreign exchange laws were first imposed during the World War 1. They were refined and tightened by Mussolini in the 1930s, gently relaxed in the 1950s and 1960s and then hastily tightened again in the 1970s, when designer suitcases bursting with funds were frequently shuttling across the border into Switzerland.

Throughout the 1980s Italian governments have been moving, often falteringly, in the direction of greater liberalisation. Recurrent currency crises have forced them on several occasions to reintroduce controls, most recently in early September. However, the body of freedoms has been steadily enlarged and the new law, first tabled in 1983, is a recognition of the need to codify a new approach.

Nevertheless, caution has by no means been thrown to the winds — the Italian economy is too vulnerable to renewed inflation and the requirements of financing a public sector deficit running at between 11 and 12 per cent of gross domestic product are too great for the authorities to feel free to indulge in total deregulation.

Free market critics of the law are less concerned about the government retaining some weaponry to respond to currency and balance of payments crises, than the fact that legislation is vague as to what conditions would justify their use. The defensive measures set out in Article 13 may be deployed in the case of the lira being in difficulty in foreign exchange markets or to deal with damaging balance of payments figures.

The case for the defence is that the emergency measures are in line with EC rules and that requirements of membership of the European Monetary System would restrict their use.

Neither Mr Ruggiero nor the Bank of Italy seem to fear a huge capital outflow when a host of operations are liberalised in a year's time. Relaxations which have already been introduced are thought to have greatly reduced pent-up pressures.

The minister believes that there will be a psychological impact in the sense that Italians will take a more balanced view of overseas investments which until now may have seemed exaggeratedly attractive precisely because they were controlled.

Transactions which will be freed of any requirement for official authorisation cover a wide field. On the securities front, Italians will be free to invest in foreign holdings, and not just operating companies. They will be able to buy unquoted foreign securities, as well as all those issued outside the EC, and will be able to invest in foreign mutual funds which do not hold any Italian securities.

Operators will be able to make unlimited borrowings and lendings abroad and to finance trade in foreign currency before firm contracts are signed. Restrictions on anticipated payments for imports and delayed repatriation of export earnings will be removed.

Elsewhere, cinema producers will not need permission to finance productions abroad, nor will Italian airlines and shipping companies need approval to purchase fuel during overseas operations.

Unlike an earlier draft, the final legislation retains the state's monopoly on the holding of all foreign exchange, while giving ministers broad discretionary powers to limit it. But for the time being, Italians will still not be able to hold foreign currency abroad, in bank accounts or otherwise, nor will they be able to open lines of credit in favour of a foreign borrower.

All in all, the new regime should lead to a further important opening up of the Italian economy with consequent pressures on the Government to prevent the domestic inflation rate becoming too divergent from the average of the EMS countries. "The legislation will also impose a more powerful pressure on the Government to correct the public deficit," says Mr Ruggiero.

One result could be that real Italian interest rates will remain among the highest in western Europe, another that the Government will need to finance more of its debt through foreign borrowing, both to offset currency outflows and because a greater proportion of domestic savings will be diverted out of government bonds and into overseas investments.

The public sector deficit thus remains a dangerous threat to the smooth liberalisation of Italian capital movements and failure to bring it down over the next three years could mean an even rougher ride for the Italian economy.

US consoles Israel for Lavi cancellation

BY ANDREW WHITLEY IN JERUSALEM

THE TROUBLED Israeli defence industry, hit hard by the recent decision to cancel the expensive Lavi combat aircraft, is on the verge of winning two compensation orders overseas, together valued at around $300m.

The Reagan Administration had assured Jerusalem it would help cushion the blow to the state-owned Israel Aircraft Industries, prime contractors on the Lavi, if the controversial project was axed. It has moved swiftly in recent days to implement that promise.

Israel's first reward has come from this week's lifting by the State Department of its long-standing refusal to permit IAI to sell fighter bombers incorporating US-made components to Colombia.

According to state-run Israel Radio, Mr George Shultz, US Secretary of State, told Mr Shimon Peres, the Israeli Foreign Minister, in New York that permission has now been granted for Israel to sell 14 of its Kfir aircraft to Colombia, in a deal said to be worth $100m. The Kfir, a variant on the Dassault Mirage-111, is powered by an American Pratt and Whitney engine and thus requires a US licence for third party sales.

IAI refused yesterday to comment on the subject, but Foreign Ministry officials confirmed that negotiations have been pending with Colombia for over two years. Neighbouring Ecuador took delivery of 12 Kfir C-2 warplanes in the late 1970s, after a prolonged argument over the sale between the then Israeli Government of Mr Menachem Begin and the Carter Administration.

The second "sweetener" for loss-making IAI, which is expected to lay off several thousand workers because of the Lavi cancellation, concerns the development in Israel of an anti-missile missile defence system.

Known as the "Arrow Project," the Pentagon is believed to have been holding talks for several months with the Israeli company on a lucrative research contract to design and develop a short-range missile capable of countering Soviet tactical ballistic missiles.

The new air defence system is an urgent priority for Israel following the introduction by Syria of Soviet SS-21 and Scud missiles, capable of striking at major centres of population in Israel with chemical warheads.

The Jerusalem Post reported on Wednesday that Israel is also seeking maintenance orders from the US to service some of its military equipment stationed overseas. Hopes are said to be focused in particular on the maintenance of US Army helicopters deployed in Western Europe, a task which would probably be carried out by a division of IAI.

Japan takes advantage of S Korean trade openings

BY MAGGIE FORD IN SEOUL

JAPAN has quickly taken advantage of South Korea's more open market, imposed in response to pressure from Washington, according to the Korean Ministry of Trade and Industry.

M/C 14 8/8½

In a report submitted to the National Assembly, the Ministry said that South Korea had liberalised 24 items earlier in the year specifically to meet US requests. Out of the $255m worth of these items South Korea imported in the first half of this year, Japanese companies had sold 56.8 per cent of the total, worth $145m, the report said.

US exports of these items had amounted to $45m, or 18 per cent. "The American companies simply did not move fast enough," the Ministry said. "Their failure resulted in an exacerbation of South Korea's trade deficit with Japan."

The list of 24 items included machine tools (where 60 per cent of imports came from Japan compared with 14 per cent from the US) bulldozers, lemons and limes, electronic data processing systems and cameras.

The Ministry report said that insufficient marketing in South Korea by US companies is partly to blame. Importers also point tothe competitiveness of Japanese goods in terms of quality and service, although prices haev been hit by the high yen.

US exporters are continuing to press for the removal of non-tariff barriers and for greater access in the financial service, advertising and agricultural product sectors. Speaking in Washington at an International Monetary Fund meeting this week, Mr Sakong Il, the South Korean Finance Minister, strongly backed further market opening in industrialised countries to achieve balanced economic growth worldwide.

GPA venture plans to buy 25 ATR prop-aircraft

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

GUINNESS PEAT AVIATION (GPA), the aviation leasing organisation based at Shannon, Ireland, has joined with the Franco-Italian company, Avions de Transport Regional (ATR), to provide world-wide operating leases for the ATR-42 and ATR-72 transport aircraft.

A new company, yet to be named, is being formed by GPA Jetprop (jointly owned by GPA and PWA Corporation, Canada's second largest airline group) and GIE Avions de Transport Regional (jointly owned by Aerospatiale of France and Aeritalia of Italy), together with Banque Indo-Suez and Istituto Bancario San Paolo di Torino.

It is planned that the new company will buy initially 25 ATR-42 and ATR-72 turbo-prop transport aircraft, worth about £200m, over five years, with first deliveries in 1988.

The ATR-42 is a 46-50 seat twin-engined aircraft with a range of about 1,000 nautical miles, with some 56 already in service, while the ATR-72 is a derivative seating 66-70 passengers, and due to enter service in 1989.

Total orders and options for the two aircraft amount to nearly 200.

TALKS ANNOUNCED AFTER SHARP RISE IN SHARE PRICE

Burmah, SHV may bid for Calor

BY LUCY KELLAWAY

BURMAH OIL and SHV, a privately owned Dutch company, yesterday announced they were holding talks which could lead to a joint offer for Calor Gas, the liquified petroleum gas company which was "demerged" from Imperial Continental Gas earlier this year.

The statement was prompted by a sharp rise in the Calor share price over the last two days, which the London Stock Exchange is believed to be investigating.

The companies said that any bid would be at a "modest premium" to Wednesday's closing price of 500p a share. The Calor share price yesterday jumped to 549p, capitalising the company at £780m, compared to a value of just over £1bn for Burmah. SHV owns 29.9 per cent stake in Calor, most of which was acquired through a share swap in the demerged IC Gas companies in April. SHV said at the time that it regarded the stake as a long-term investment and had no plans to make a full bid. Burmah owns a 2.4 per cent interest.

Yesterday Mr David Mitchell, managing director of Calor, expressed some dismay at the news. "I had hoped that we might have a bit of a rest from this sort of thing," he said. However, if a bid materialised, he said it would have to be examined on its merits. Calor has been under siege almost continuously since Mr David and Mr Frederick Barclay, the UK twin investors, bid for IC Gas late last year.

Although there was no direct overlap between the business of Calor and Burmah, Mr Mitchell said Castrol, Burmah's chief operating subsidiary, was similar to Calor as both occupied dominant positions in specialist oil product markets.

Neither Burmah nor SHV would add to yesterday's brief statement.

Stockbroking analysts yesterday suggested that the deal would increase Burmah's tax efficiency, and capitalise on its skills as a successful marketer of oil products. However, they said that a takeover would raise questions for the future of Century Power and Light, the independent oil company which is 59 per cent owned by Calor, which could be spun off should a bid succeed.

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Parents will see school records

Financial Times Reporter

PARENTS WILL be entitled to see all school records kept on their children under government plans published yesterday.

Mr Kenneth Baker, the Education Secretary, is proposing new regulations which for the first time will give parents the right to read files kept on their children.

They will also get the power to ask for a copy of the document and will have a right to add their own comments to those of teachers in school records.

Pupils over the age of 15 will get the right to see a reference written by their teacher, and those aged over 18 will be allowed to see and copy their own files.

Mr Baker's plans, outlined in a consultation document published today, are aimed at standardising record-keeping in schools in England and Wales.

Also for the first time schools will be legally required to keep records on the skills, competence and academic achievements of pupils.

At present there is no law requiring records of any kind to be kept, although most schools keep files on pupils covering everything from classroom performance to behaviour and personal problems.

The proposals, which are likely to become law by next September, do not require schools to record details of pupils' behaviour or personalities.

Retailers will sell postage stamps in trial scheme

BY DAVID THOMAS

THE POST OFFICE is linking with three leading retailers in an experiment in which stamps will be sold in shops and stores as well as at post offices.

The move, aimed at reducing queues in post offices, was announced yesterday at the same time as the Post Office unveiled plans for an £80m investment programme to improve service at its counters.

In addition, the Post Office is pressing the Government to allow it to offer more services over its counters. At present it is restricted to public sector transactions or to business directly related to the sending of letters, such as the sale of stationery.

The stamp sales trial involves W H Smith, Woolworth and Menzies and is to be restricted to Bristol, Nottingham, York and Preston where the retailers will be given a 5 per cent discount for buying stamps in bulk for resale. It will last for a year.

The corporation also intends to install more stamp machines outside post offices, experiment with machines inside some post offices which will dispense any quantity of stamps and allocate service points exclusively for customers wanting stamps or other quick transactions.

Mr John Roberts, managing director of Post Office Counters which has been set up as a separate company within the Post Office, said: "We are trying to crack the points put to us by our customers."

The investment programme, which will take four to five years, will including rebuilding or refurbishing many post offices, including 500 of the largest by the end of next year. They will have more spacious interiors, wall-to-wall carpeting and easy to read displays.

At least 12 further post offices are to get Postshops - self-contained units within post offices selling cards, stationery and stamps. Some 38 already have them.

The corporation is offering new uniforms on a voluntary basis to its counter staff. Surveys indicate that about 70 per cent will use them initially.

It also intends to recruit a further 500 part-time workers to cope with peak periods at its counters in addition to the 1,000 it is recruiting this year.

Mr Roberts said the Post Office counters business wanted to be able to offer more goods and services, particularly financial services such as insurance, and in the longer term possibly theatre and travel tickets.

That would not necessarily require legislation, but it would need Government consent. "I would like them to take this decision as soon as possible," Mr Roberts said.

Government to press on with reform of employment laws

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT intends to add to its proposals for further employment law reform when it publishes its bill on the issue later this month.

Ministers are expected at next week's Conservative Party conference in Blackpool to give some detail of the Government's intentions in advance of the planned publication of the bill when parliament reassembles.

The first part of the bill will put into practice all the industrial relations proposals for further union reform outlined in the Government's discussion document, Trade Unions and their Members, issued earlier this year.

But an additional second part will include a number of provisions connected with employment. Foremost among these will be legislative proposals to increase the number of employers' representatives on the governing body of the Manpower Services Commission, which administers the Government's training and employment schemes.

Other areas in the bill's second part are likely to include proposals on the Youth Training Scheme, and the Government's Community Programme for the long-term unemployed. There were also be some small tidying-up provisions, although there will be nothing in the bill honouring Government's outstanding 1983 general election manifesto commitment to consult on action to deal with strikes in essential service industries.

However, Mr Norman Fowler, the Employment Secretary, made it clear yesterday that the Government would proceed with its controversial proposal to prevent unions from disciplining members who break even legally-constituted strikes.

He told a conference in London organised by the free-market Institute of Economic Affairs that the Government would listen carefully to responses to its ideas.

Fall in union numbers forecast to end

BY OUR LABOUR EDITOR

FALLING trade union membership levels have probably reached a low-water mark, a leading academic on union growth suggested yesterday.

Union leaders will welcome the analysis put forward yesterday by Professor George Bain, chairman of Warwick University's school of industrial and business studies, particularly as they start on their planned year-long review of union organisation in the light of falling union membership and Labour's third successive election defeat.

Professor Bain, widely recognised as the pre-eminent academic expert on union growth, said that the proportion of the workforce in unions was likely to fluctuate over the next 5-10 years, on a marginally declining trend, around its level of the 1950s and 1960s.

He said: "Unions are likely to continue to represent a substantial section of the labour force - around 40 per cent - sometimes more, sometimes less, depending on outside factors."

Shake-up planned in railways bargaining

BRITISH RAILWAYS Board is drawing up a plan for far-reaching changes to the industry's collective bargaining arrangements, covering 139,000 staff, Charles Leadbeater writes. These will be presented to the rail unions early next year.

The review is expected to lead to the biggest changes in the industry's industrial relations machinery since the 1960s. It is aimed at simplifying the cumbersome bargaining machinery, which was strongly criticised earlier this week in a Monopolies and Mergers Commission report on rail services in the area around London.

■ PIGEON droppings weighing an estimated half ton were removed from the statue of Lord Nelson, the 19th century admiral, in Trafalgar Square London, during restoration work now nearing completion.

■ VEGETARIANS and animal welfare groups are urging Britons today to give up meat in a campaign inspired by National No Smoking Day. A series of events and demonstrations are planned nationwide.

■ ACCIDENT recorders for ships, similar to the "black box" device installed in aircraft, are being offered to shipowners by Lloyd's Register, the maritime standards body. The UK-designed device would record vital details such as whether a ferry's bow doors were properly closed.

■ GUERNSEY police have taken custody of more than 50 guns which were handed in by the public during a two-week amnesty leading to the introduction of new firearms laws.

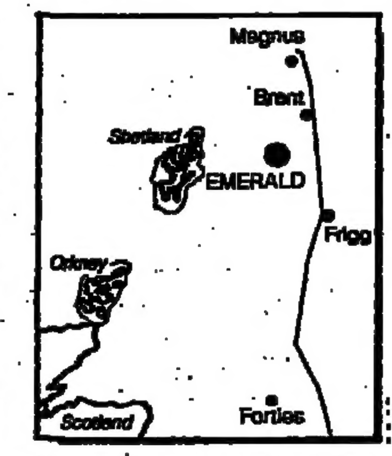
■ DRUGS information is being offered to soldiers with problems at the army garrison at Tidworth, Wiltshire. The Drugwatch service is the first to be established for Britain's armed forces.

■ VIOLINS worth more than £5m are being assembled at London's Barbican Centre for a concert to mark the 250th anniversary of the death of Antonio Stradivari. At least 15 violins, each one a Stradivarius, will take part in the performance on December 2 to be conducted by Sir Yehudi Menuhin.

■ DOCTORS' plans to carry out secret AIDS tests on suspect patients have been blocked by senior British Medical Association policymakers. They said the move would be undesirable in the interests of the association and its members.

Lucy Kellaway looks at the development of the tiny Emerald oil field

Thinking small in the North Sea



IF THE UK is to remain in the big league of oil producers, it must think small.

That was the message this week from Mr Peter Morrison, the new Oil Minister, in one of his first consciousness-raising speeches to the industry. The future of the North Sea lies increasingly with small undeveloped fields, he said, and he urged the industry to think of ways of bringing them to production.

Mr Morrison can expect a pleasant package to land on his desk shortly from Sovereign Oil and Gas, one of the smallest oil independents, which will contain an application for the development of Emerald, a tiny North Sea field.

If Mr Morrison seeks a break from thinking big he could not find a better example than Emerald. Not only is it perhaps the smallest field developed so far, but it departs radically from existing North Sea projects by transferring all the risk from the oil companies to the offshore contractor and the oil buyer.

Emerald, with its 30m barrels of heavy, sticky oil, is a marginal field at best. A falling oil price or poor flow rates from the field could easily transform the project into a heavy lossmaker. Both risks have been reshuffled, so that the contractor will take on the danger that the reservoir might prove disappointing, while the oil buyer will adopt the risk of a falling oil price.

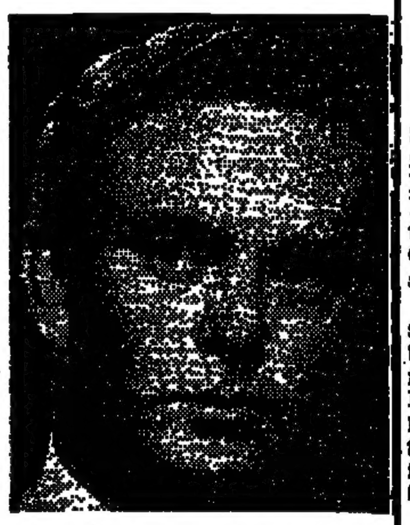
Midland and Scottish, a privately-owned offshore supplies group, has undertaken to develop and finance the field and pay for its operation. Its return will come from the oil itself when the field starts to produce in two years. If the field behaves badly, Midland stands to make a loss, whereas if the field behaves well its return will rise accordingly.

Meanwhile, the oil price risk has been adoped by Neste Oy, the Finnish oil company. Neste has agreed to pay a minimum price for the oil, thought to be equivalent to a Brent crude price of $17.90, about 50 cents lower than present prices. If the price rises above this level Neste Oy will get half of the benefit, with the rest shared between the oil companies and the contractors.

Thus the oil companies are left with a field in which they will own none of the equipment, pay none of the costs and have secured a minimum price for the oil. While they will not lose money on the project, neither are they likely to make much, unless there is a marked rise in the oil price. However, if this occurs their return will be less than half of what they might have expected with a more conventional development.

The imaginative plan has not been achieved easily. Mr David Biggins, Sovereign managing director, has devoted the past year to convincing the doubters that such a scheme was possible. Not only does it break every rule of North Sea development, it also involves delicate negotiations with the Department of Energy over such principles as selling forward the entire output of the field.

David Biggins: convincing the doubters



Peter Morrison: message for the industry

Mr Biggins expects to see a series of Emerald clones in the future, though others are more doubtful. The Sovereign deal was born out of necessity; last year the company seemed one of the weakest oil independents, and could not hope to raise finance for the field. The deal is a breakthrough for Sovereign as it enables it go ahead with a project which otherwise would not have been possible, and gives it a safe, if small, return.

However, for a large oil company, well able to raise development finance and positively keen to take risks, so long as a commensurate return is in the offing, the deal is not so attractive. Indeed, Chevron, which had a large stake in Emerald, was so strongly opposed to the development that it sold its stake. The interest was bought by Midland and Scottish, further blurring of the line between the traditional roles of oil company and contractor in the project.

The deal may also have been a product of the plunge in the oil price. It was negotiated at a time when offshore supplies companies were faced with a terrifying absence of orders, giving unusual power to the oil partner.

Even if Emerald does prove a one off, it will nevertheless be an important example to other small oil companies of what can be done in the North Sea with a bit of daring and a good deal of determination.

North Sea supplies 'will fill gas shortfall'

By Lucy Kellaway

SUPPLIES from existing gas fields in the UK sector of the North Sea will be sufficient at least until the early 1990s to fill the shortfall which faces British Gas, according to a report by stockbroker Wood Mackenzie.

The broker argues that the supply gap, which starts to open this year as a result of a sharp fall in supplies from the large Frigg field, can be met by lifting more gas under existing contracts and by taking more gas from British Gas's Morecambe field.

However, by the mid 1990s the gap will have widened so that current supplies will meet only half of UK demand. The report argues that most of this gap will be met from new fields in the southern gas basin and the central North Sea.

In the long term, imports from Norway will be inevitable, the report says, but in the short term British Gas may have room to raise the price it pays to UK suppliers to meet their higher costs of development.

Judge is appointed as prisons inspector

JUDGE Stephen Tumim has been appointed to succeed Sir James Hennessy as Chief Inspector of Prisons.

Judge Tumim, 57, will take up the appointment on November 1. A circuit judge since 1978, he has been a judge of Willesden County Court for the past seven years. Since 1983 he has been chairman of the Friends of the Tate Gallery.

Technology consultancy to recruit 70 for launch

BY MICHAEL SKAPINKER

THE AUSTRALIAN company which has persuaded 30 senior managers to leave consultants PA Technology to set up a new consultancy says it intends to recruit about 70 British professional staff for the venture.

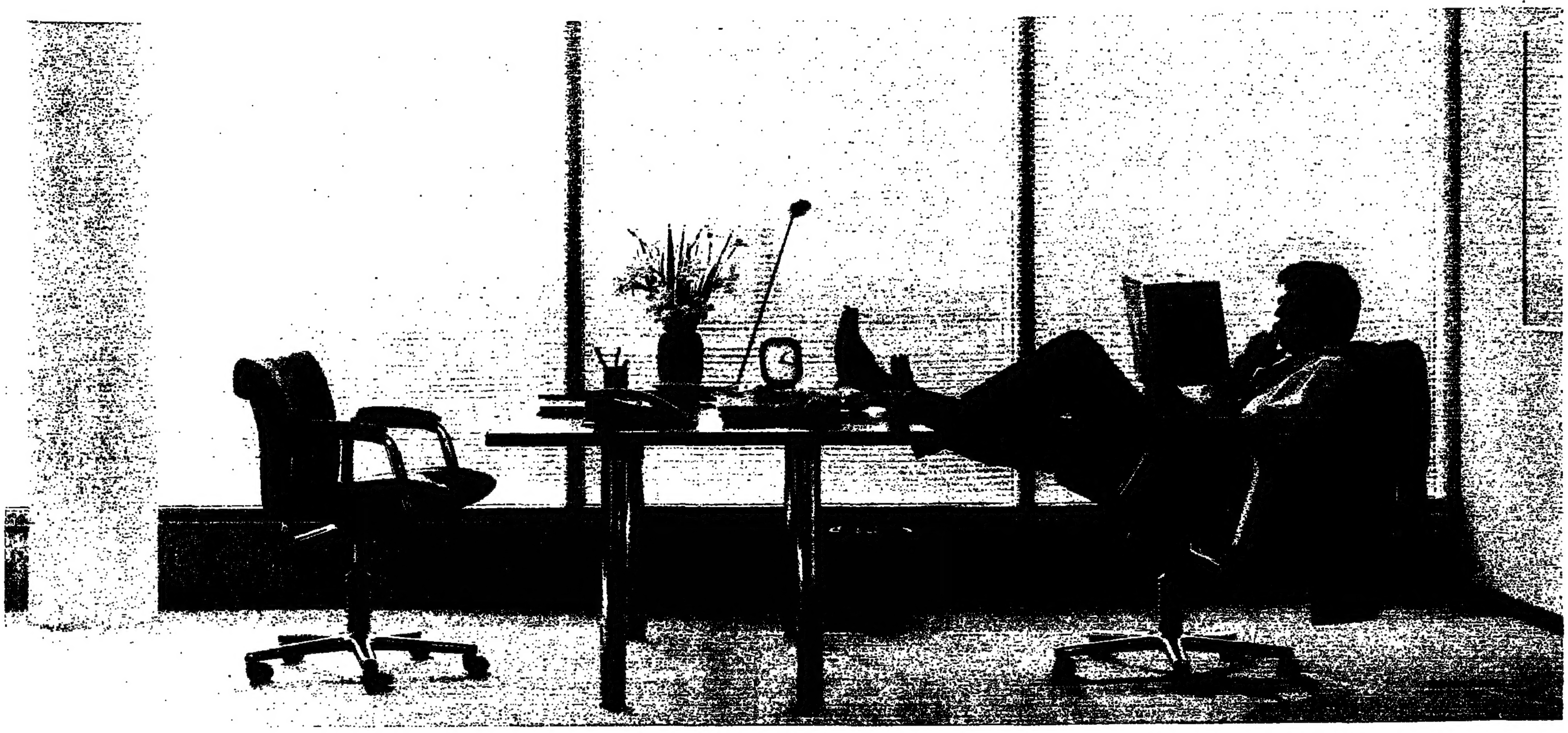
Mr James Fox of the Perth-based Wilson Group said the consultancy would be a springboard for the group's investments in high technology companies in Britain, the US and continental Europe.

Mr Fox is a director of Invetech, formerly PA Technology South East Asia, in which the Wilson Group has a 20 per cent stake. He arrived in London yesterday to coordinate the setting up of the consulting company which will be based in the Cambridge area.

Mr Fox said the UK managers who joined the consultancy would hold more than 50 per cent of the shares in the new venture.

He expected the group to begin investing in British high technology companies by the middle of next year. The company also intended to invest in the US, West Germany and Scandinavia, he said.

Simon Olswang, the London solicitors acting for Wilson, said yesterday that 29 PA Technology managers had confirmed in writing that they would join the new company.



Dixons to sell low-cost satellite TV receivers

BY RAYMOND SNODDY

DIXONS, the UK retail group, plans to sell satellite television receiving equipment to the domestic market at less than half the price of existing receivers.

The company wants to have 500,000 receivers available to sell in its 1,000 Dixons and Currys stores during the first year of service of Astra, the 16-channel television satellite scheduled for launch next September.

Dixons is aiming at a target price of £300. It is talking to potential suppliers in the UK and the Far East although agreements cannot be signed until specifications have been finalised.

Dixons said yesterday: 'We are enthusiastic about satellite television and we are planning to go into the market but we cannot comment on the details at the moment.'

The Dixons plan could revolutionise the market. It believes that dish aerials will be large enough to receive good-quality pictures from Astra, a medium-power satellite project based in Luxembourg and funded largely by Belgian, German and Luxembourg financial institutions.

Astra, which is expected to have eight or nine of its channels in English, is scheduled for launch a year ahead of British Satellite Broadcasting, the UK direct-broadcasting-by-satellite project costing £625m and offering three national channels.

Dixons is also an enthusiastic member of the five-company consortium planning two channels for transmission on Astra. The others are Mr Michael Green's Carlton Communications, Saatchi & Saatchi, the advertising and consultancy group, Thames Television, and London Weekend Television.

The retailer wants to ensure that enough high-quality channels are available on Astra to persuade consumers to buy the receivers. Other possible Astra channels include Premiere, the film channel, Mr Rupert Murdoch's Sky, and Screen Sport.

Draft shareholder agreements are being circulated by the new programming consortium. Members are confident that the Independent Broadcasting Authority will allow Thames and LWT to take part.

At the recent seminar on broadcasting at Downing Street, Mrs Thatcher asked Mr John Whitney, the IBA director-general, if there was anything in broadcasting legislation to prevent ITV companies taking part in such a project. Mr Whitney said there was not.

Health authorities 'need £1bn funds rise'

By Michael Dixon

ENGLAND'S district health authorities will need an increase of almost £1bn in funding for the next financial year if they are to expand services to meet the objectives set for them by the Government, according to a survey published today by the National Association of Health Authorities.

The study, based on returns from 106 of the 191 authorities in England, found that "severe difficulties" were causing many of them to defer or cancel planned developments, freeze recruitment and delay payments to creditors.

A key reason for the problems was a £160m shortfall in the allowances provided by the Government to meet pay and price inflation in the past year. Finances were also under strain from rising demand on health-care services, the additional cost of high-technology treatments and pressure to increase the number of patients treated.

Numerous authorities had succeeded in dealing with more patients at a lower cost per head, but the increased demand could not be accommodated without some rise in overall costs, especially given the need to improve services to special groups such as AIDS sufferers.

Mr Philip Hunt, director of the health authorities' association, said that if the Government continued to under-compensate the hospital and community health services for inflation, health authorities would be unable to avoid cuts in their provision to the public.

The survey indicated that to meet the objectives laid down by the Government, the authorities would to have their 1987-88 funding of £11.3bn increased by £935m - or 8.3 per cent - to £12.2bn in 1988-89.

Airlines protest against penalties

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MORE THAN 90 airlines serving airports in the UK are protesting to the Home Office over what they believe to be excessive fines and other financial penalties imposed upon them over the carriage of illegal immigrants.

In a separate case, the airlines are also protesting to the Civil Aviation Authority about alleged excessive charges imposed by the recently privatised BAA, formerly the British Airports Authority, for facilities provided at its airports, primarily Heathrow and Gatwick.

The airlines are members of the Board of Airline Representatives in the UK (Baruk). It was set up in 1973 to fight on behalf of all British and foreign airlines serving the UK, against what they believe to be unfair treatment or discrimination against them by the Government, the BAA or other civil aviation bodies.

In their protest to the Home Office, Baruk airlines claim they are being unfairly charged excessive "detention expenses" - the cost of providing food, accommodation and other facilities - for immigrants alleged to be arriving in the UK illegally.

Under the 1971 Immigration Act, airlines are liable for costs for as long as unwanted immigrants are held before being sent back to their countries of origin. Those expenses have amounted to several hundred thousand pounds this year.

The airlines accept that they should be held responsible for payment of expenses for up to 72 hours after an alleged illegal immigrant is held, but believe that is enough time for the authorities to decide on each immigrant's case.

To put pressure on the Government, the airlines are only paying the charges for 72 hours and the rest of the money demanded by the Government is being put into an escrow account until Baruk has settled the matter with the Home Office.

The airlines are also arguing against what they regard as the arbitrary imposition of the £1,000 fine levied upon them for every alleged illegal immigrant they bring into the UK, under the Immigration (Carrier's Liability) Act introduced last March.

In many cases, airlines accept they are liable for the fines. More than 200 have been paid this year.

However, Baruk claims that immigration authorities are implementing the act harshly and possibly unlawfully, and says airlines are not being given consistent and adequate notification by the authorities of alleged breaches of the law.

In the separate case of alleged excessive airport charges by BAA, Baruk argues that "commercial" charges, or the cost of using air jetties, check-in desks, staff car parks and other facilities provided by BAA, especially at Heathrow and Gatwick, are excessive and that increases for 1987-88 are well above inflation rates.

Those charges are not controlled by a specific pricing formula laid down by the Government.

Baruk believes BAA may be exploiting its privileged position as a monopoly supplier of such facilities "and accordingly a meeting with the Civil Aviation Authority is being sought to review the whole area of commercial charges."

The CAA has the power to order BAA to correct such charges, if it finds that the airlines' case is just. If BAA declines, the matter can be referred to the Monopolies and Mergers Commission.

University research for Alvey 'doubled'

BY DAVID FISHLOCK, SCIENCE EDITOR

UNIVERSITIES have made twice as big a contribution to the £350m Alvey research programme in information technology as was envisaged when the programme began.

This was disclosed by Professor Eric Ash, rector of Imperial College, London, in his presidential address to the Institution of Electrical Engineers in London last night.

Professor Ash urged British industry to spend more generously on university research. He believed companies should spend between 2 per cent and 10 per cent of their research budgets in academia, whereas they were spending 1 per cent to 2 per cent or less.

He said the Alvey Directorate - a joint programme between industry, government and universities to lay the basis for a new generation of computers - had allocated 14 per cent of its budget to university research.

In fact, universities had proved "much more useful than had been anticipated at the outset." They had received 27 per cent of Alvey cash.

Professor Ash acknowledged that Alvey was a special case since it was confined to pre-competitive research, and it concerned an area where the universities had carried out most of the pioneering work and were therefore in a strong position.

"It does not follow that in other research areas it would still be advantageous to spend as much as a quarter of the total resources in academia."

However, industrial companies rarely budgeted for more than 1 per cent to 2 per cent of their research to be spent in universities, he said.

Ridley tells councils to control staff rise

BY RICHARD EVANS

MR NICHOLAS RIDLEY, Environment Secretary, warned local authorities in England yesterday that they must "get a grip" on their manpower numbers following publication of figures showing an increase for the eighth successive quarter.

The latest returns from the Joint Manpower Watch showed that the total numbers employed increased by 6,221 full-time staff and 36,677 part-time staff, a total full-time staff equivalent of 21,592 or 1.1 per cent between June 1986 and June this year.

Mr Ridley "noted with sadness" this latest evidence of the increase in local authority manpower in England. "Local authorities have this year budgeted to increase expenditure above the rate of inflation. Nearly three-quarters of that expenditure is payroll.

"That level of spending is simply too high. By failing to control manpower, councils are ignoring a vital means of bringing down costs and they cannot expect central government to pick up the bill - because we will not do so."

He said that controlling staff numbers was an essential part of effective management in local government. "Councils must quickly get a grip on the size of their payroll.

According to the report, the total number of people employed by local authorities in June was 1,551,095 full-time and 940,512 part-time employees.

The increase between March and June this year was 5,913 full-time jobs.

Commerce complex for Belfast

BY OUR BELFAST CORRESPONDENT

THE NORTHERN Ireland economy was given a significant lift yesterday with the announcement that a new property company is to build a multi-million pound shopping, office and industrial complex in the centre of Belfast.

The development, on the site of the former Gallaher tobacco factory in the north of the city, is being undertaken by Ewartco, an equal partnership between the Manchester-based Co-operative Wholesale Society (CWS) and Ewart New Northern (ENN), a local property company.

CWS's Belfast Co-op retailing operations will move to the complex when it is completed within the next three years.

Ewartco also intends to pursue other retailing developments throughout the province and has identified possible sites.

Mr John McClenahan, executive director of Ewartco, said: "We appreciate that the northern commercial sector of Belfast needs a facelift. One of the partners, ENN, has already pioneered projects in the city and we intend to build on their impressive track record."

Plans for the Gallaher scheme are at an early design stage but the site will be redeveloped to provide a 40,000 sq ft CWS superstore food hall as well as a modern home furnishings department.

The development will also include about 40 smaller shops linked by a central mall, and several small industrial workshops.

About 300 people will be employed in the complex and there will be parking for 1,000 cars.

Mr James O'Neill, secretary of the Belfast Co-op, said: "I am very pleased that we have joined with Ewartco in the development of sites in Belfast and the north of Ireland.

"As far as I am concerned they are a very progressive organisation and this augurs well for the future."

CWS took over Belfast Co-op in 1983 and since then has put more than £4m into the Co-op retail, milk, funeral and travel business sectors in Belfast.

Mr John McIlroy, Ewartco's chairman, said: "This venture, and the others we have in the pipeline, represents a tremendous vote of confidence in the future economy of Northern Ireland and in north Belfast in particular."

Warning to City over lack of heliports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A SHORTAGE of city-centre landing sites is restricting the expansion of commercial helicopter operations throughout the UK, according to Mr Robin Keith, managing director of European Helicopters.

Mr Keith said that although there were more than 300 helicopters involved in commercial operations in the UK, "the natural growth in the market continues to be constrained by planning difficulties."

Speaking at the National Helicopter Exhibition at Redhill Aerodrome, Surrey, Mr Keith said London was the worst example. "Here we have the financial capital of the world with only one commercial heliport which itself has severe capacity restraints and is situated some 4km to the west of the City.

Hotel consortium to launch credit card

CONSORT HOTELS, the hotel consortium, plans to launch a credit card next year in association with the Co-operative Bank.

Cardholders will be given a 10 per cent discount on their hotel accommodation when they use the card to settle accounts at any of Consort's 200 hotels.

Channel Islands airline takeover

AURIGNY Air Services, based in the Channel Islands, has taken over Guernsey Airlines, owned by British Air Ferries.

Aurigny is owned by the Exxtor group of companies and has nine Trislander and two Islander aircraft for use on services between the Channel Islands of Jersey, Guernsey and Alderney and services to Southampton, Dinard, Cherbourg and Bournmouth. Guernsey Airlines has services from Gatwick Airport, London and from Manchester to the Channel Islands.

Aurigny Air Services carries 280,000 passengers a year and expects the takeover to add 140,000 passengers annually.

Scots Tory appointment

BY JOHN HUNT

REORGANISATION of the Scottish Conservative Party continued yesterday with the appointment of a campaign director to improve organisation in local and general elections and highlight government policies in Scotland.

The job has gone to Mr Peter Smith, currently deputy Conservative Central Office agent in Yorkshire and formerly deputy director of the party in Scotland from 1982 to 1985.

The shake-up follows the poor Conservative showing in Scotland in the general election, when the party lost 11 seats

SOUND DIFFUSION PLC
PRELIMINARY STATEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 1986

	Year to 31.12.1986 £000	Year to 31.12.1985 £000
Turnover	40,561	36,225
Profit before taxation and Extraordinary items	5,668	5,828
Taxation	(324)	(285)
Minority interests	(2)	(2)
Profit attributable to Shareholders before Extraordinary items	5,342	5,541
Extraordinary items	—	—
Profit attributable to Shareholders	5,342	5,541
Rate of dividend	12.02%	10.02%
Amount absorbed by dividend	(836)	(697)
Earnings per share	3.84p	3.99p

Notes:
1) The figures for 1986 are based on accounts which the auditors have given an unqualified report and which will be delivered to the Registrar of Companies in due course.
2) Shareholders' funds increased to a total of £22,339,000 at 31st December 1986 (1985: £17,833,000).
3) A net dividend of 0.601p per share is proposed, being a 20% increase over the net dividend of 0.5008p per share for the previous year, and will be despatched on the 25th November 1987 to the Shareholders appearing on the Register at the close of business on 22nd October 1987 if approved at the forthcoming Annual General Meeting.
4) The Annual General Meeting will be held at the Brighton Centre on Thursday 29th October 1987 at 2.15 pm.
5) The above accounts are abridged within the meaning of the Companies Act 1985.

SOUND DIFFUSION PLC
Registered Office:
Datum House, Davigdor Road, Hove, Sussex BN3 1RZ
Telephone: Brighton (0273) 775499 (13 lines)

Lucas to set up joint parts operation with Fiat arm

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES, the Birmingham-based motor and aerospace components supplier, has reached agreement with Magneti Marelli, a subsidiary of Fiat of Italy, to set up a joint company that will claim 25 per cent of the European market for starters and alternators.

The new company, with a turnover of about £150m a year, is projected to be second in size only to Bosch of West Germany.

Lucas will hold only a minority shareholding in a company that will look to the economies of scale of a total European market not available to a purely UK operation hit by a contracting assembly base.

Lucas held detailed talks in London yesterday with Magneti Marelli and an announcement on the deal is imminent. The sale of the starters and alternators operation is likely to mirror that of the sale of Lucas's lighting operation to Corrello of Italy, announced in June this year, when the UK company kept only a 40 per cent equity stake in an operation that passed into the hands of an Italian company.

The Lucas starters and alternators factory in Birmingham is three years into a five-year £15m government-backed investment programme involving dramatic changes in manufacturing, work practices and products. In spite of the co-operation of the workforce and the shedding of several hundred jobs, the operation is not viable without access to wider European markets.

Magneti Marelli, the motor components holding subsidiary of Fiat, can offer an operation which gives Lucas access to new markets.

The sale of the starters and alternators operation marks another stage in the rundown of the Lucas Electrical operation which in 1979 had 13 factories and 17,000 workers in the West Midlands. This latest stage will leave Lucas Electrical with a rump of around 2,300 workers in just three markets.

Lucas Batteries, with 500 workers in Birmingham, is held within the group but looking for international collaboration to guarantee a long-term future.

The switchgear operation in Burnley with 600 workers is seeking a European partner for growth.

Lucas sees the main opportunity for growth within its former wide-ranging electrical operations, lying with the engine management system based in Birmingham, with 1,000 workers. Here Lucas is looking for a European company to form a genuine partnership to seek new markets to take advantage of its technological achievements.

Lucas has stressed that its automotive operations which account for more than £1bn of its £1.6bn a year turnover, are also important to future development.

Mr Bob Dale, appointed chief executive of automotive operations, has been conducting an in-depth inquiry into prospects for the five divisions within the automotive sector which embrace the Girling brake operation, the CAV diesel injection company and the electrical and worldwide service operations.

Car parts sector's size revealed

BY JOHN GRIFFITHS

A JOINT INITIATIVE by the University of Cardiff's economics department and the Welsh Office has led Wales-based motor component suppliers to realise that, collectively, they employ more people than the Welsh coal or steel industries.

The Welsh Office hopes the realisation will prompt the sector to investigate the possibility of regional co-operation - possibly to the extent of collaborating to produce vehicle sub-assemblies.

At present, most of the companies produce a wide variety of individual components.

The smaller among dozens of individual companies were invited by the Welsh Office to an exploratory seminar to discuss the sector's potential and told that their total 20,000 employees now represented 10 per cent of the Welsh manufacturing workforce.

This eclipses the 15,000 employed in the second-placed coal industry.

The companies include Ford's Bridgend plant in South Wales, LLanelli Radiator, AB Electronics near Cardiff, which supplies instruments for Jaguar and Lucas Girling and Alfred Teves, both braking systems producers.

The university's Professor Garel Rhys, who is the Society of Motor Manufacturers and Traders' professor of motor industry economics, said some companies were taken aback at the size of the sector and its wide distribution in the principality.

The purpose of the seminar, said Professor Rhys was twofold:

"We wanted to give them information about the industry and to help build links between the firms themselves."

He said it was hoped that the industry would meet regularly to review co-operation prospects. While no actual moves have so far been made, the creation of a formal regional grouping is not being ruled out.

Apart from manufacturing collaboration, said Professor Rhys, it was hoped to identify cost-saving opportunities.

Rover likely to shed 150 technicians

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MORE THAN 150 redundancies among the state-owned Rover Group's technical staff are likely to result from a review of operations at Gaydon Technology, the subsidiary based near Warwick.

Gaydon, which has a turnover of about £20m a year and is profitable, is almost certain to lose its independence as a result of the review which is to be completed by the end of the year.

The most likely outcome is that Gaydon will be absorbed by Austin Rover, the group's volume cars business, the engineering staff of which will be affected by the redundancy programme.

Rover said that a small number of hourly-paid employees would be made redundant as a result of changes which would achieve more effective use of resources.

The group made it clear that there was no question of closing Gaydon, where £30m has been invested since 1979 and a £3m vehicle emissions control centre is being installed.

However, Rover claimed that nearly all the Gaydon time and test facilities in future would be used by Austin Rover or Land Rover, the group's light four-wheel-drive vehicle subsidiary.

Gaydon's scope for winning work from outside the group would be severely limited and it would probably be sensible to bring Gaydon and Austin Rover administratively closer together.

Talks on public spending continue

By Janet Bush

TALKS between ministers on public spending levels are still in progress and when they are completed the so-called Star Chamber which resolves any outstanding problems will meet, according to Treasury officials.

The Cabinet met yesterday morning and, according to Whitehall spokesmen, public spending was not on the agenda and did not come up as a subject for discussion.

The officials described as "over-optimistic" a newspaper report yesterday which suggested that the Treasury and other departments were close to agreement on next year's public spending.

Treasury officials said yesterday that they were unaware of any official assumptions about either growth or inflation next year which would support suggestions that there is scope for expenditure to rise to almost £158bn while falling as a proportion of gross domestic product.

The official line is still that spending could be boosted by £2.5bn above the £154.2bn public expenditure planning total and still maintain public spending at the planned proportion of GDP.

The officials were unable to confirm whether faster than expected economic growth this year could permit a larger addition.

Building societies' concern

By Hugo Dixon

HIGH EARNERS are deserting the building societies and turning to other financial institutions, according to a survey published by the Harris Research Centre. Societies are concerned because lending to those on high incomes is the most profitable type of mortgage business.

Harris interviewed 605 people who were either earning more than £20,000 a year or in the AB socio-economic classes. Of these, 68 per cent had obtained mortgages from a building society but only 54 per cent of those earning more than £30,000 had done so.

Twenty-three per cent had mortgages from banks, and 40 per cent said they intended to go to a bank for their next mortgage. Five per cent had taken mortgages through insurance companies and 15 per cent intended to approach insurance companies next time.

Unattractive interest rates and long-winded procedures were given as the main reasons for dissatisfaction.

● Nationwide Anglia, Britain's third-largest building society, today began lending its gilts portfolio in a move which should increase liquidity in the gilts market.

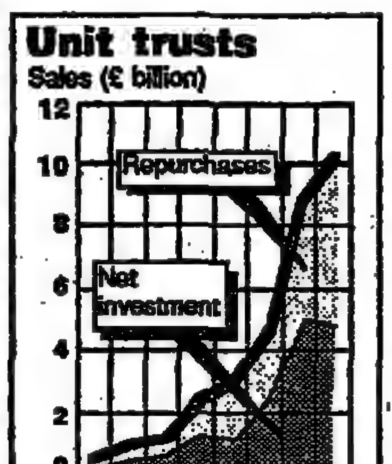
The decision makes Nationwide Anglia the first society to take advantage of regulations which came into force yesterday allowing societies to lend gilt-edged stock to approved Stock Exchange money brokers.

It should also improve the society's profitability, as lenders of stock receive a fee equivalent to ½ of 1 per cent a year.

Eric Short on proposals to radically alter unit trust dealings

Getting tough to protect investors

INVESTORS dealing in unit trusts may in future not know at which price they are buying or selling units until after the deal. Unit trust managers may no longer be able to trade internally in their own units.



These are two of the radical changes in unit trust operations being proposed by the Securities and Investments Board - the new investor protection watchdog - under draft regulations published yesterday.

Under the 1986 Financial Services Act, SIB is taking over from the Department of Trade and Industry the regulatory role for unit trust operations.

Although unit trust groups will be authorised by the Investment Managers Regulatory Organisation and the marketing of unit trusts will be controlled by the Life Assurance and Unit Trust Regulatory Organisation, SIB will not delegate the operational control to these or any other self-regulatory organisation.

The DTI and SIB issued consultative papers last year setting out proposals for the regulatory system. The draft rules have been based on those documents and the views and reactions expressed by the unit trust industry.

The current document points out that many aspects of the existing regulatory regime have stood the test of time and the draft rules leave the main framework largely unaltered, codifying best practice developed by the DTI and the industry.

Nevertheless, SIB proposes to introduce certain radical changes on the premise that where there is scope for abuse by managers it must be stopped, even if to date there is no evidence of widespread abuse.

The proposed rules start with the pricing of unit trusts and at what prices dealings take place. The overall objective is to ensure that the mechanism is designed and operates in a manner that is fair to buyers, sellers and continuing unitholders.

SIB intends to keep the pricing system of a maximum buying and a minimum redemption price. It has not followed through the DTI's suggestion of a single unit price system, with a buying and selling charge.

However, whereas the present system includes security values, operating costs and manager's charges in the price calculation, in future manager's charges would be shown separately.

In addition, a much tighter rounding off of prices to five significant figures, rather than the present 1 per cent or 1.25p, whichever is the lower, is proposed.

In publishing the prices, the managers would have to indicate by means of a letter the underlying basis for the price quoted - whether it was on the DTI offer basis (letter O), bid basis (letter B) or an intermediate value (letter I).

The proposed rules also deal with the price at which investors buy and sell units.

At present, the investor buys and sells units on the last published price. These prices, shown in certain newspapers, would normally relate to asset values on the day previous to publication for UK based funds, but there could be a longer time gap for overseas based funds.

Thus the manager has the opportunity to trade in his units based on events that have happened in the stock markets since the unit price was calculated.

SIB proposes to change to a "forward pricing" system, which is used for US mutual funds. Dealings would be based on the price calculated after an order to deal had been received.

This would prevent any manager or investor dealing on a knowledge of events not reflected in the unit price. But it means that the investor would not know in advance the price at which he was dealing. SIB accepts that this could be viewed as disadvantage, but considers that this is outweighed by the advantages.

However, Mr Paul Bateman, marketing director of leading unit trust group Save and Prosper, believes the move would enable intermediaries to sell life bonds rather than unit trusts, since the bonds would operate on the old system of a known dealing price.

Sir Kenneth Berrill, chairman of SIB, accepts that this difference does not conform to the "level playing field" principle between investment media. Although pricing of unit-linked life products is still the responsibility of the DTI, he hopes that it can be brought into line.

The other principle change proposed for unit trust operations relates to managers creating or selling units independently of receipt of dealing orders - known as running a "box."

A manager should in theory ask the trustee to create the necessary units to meet a buying order and cancel units for a selling order. With buying and selling orders coming in constantly, the manager will keep a box of units rather than become involved in creating and cancelling units.

However, this situation can be carried to extremes with managers creating backdated units and taking advantage of known market movements.

So, while managers can still run a box of units already created, SIB plans to ban the back creation of units so that managers should not be able to sell units that have not been created. In addition, dealing decisions of the managers would have to be taken promptly and notified promptly to the trustees.

SIB considers that managers should inform trustees within two hours from the time of setting the dealing prices and the number of units to be created or cancelled.

Managers could well fix such a time for UK funds at the close of dealings in the underlying securities towards the end of the day and handle all transactions received that day.

This could mean that prices for publication would be ready quite late and the early editions of newspapers could show two-day-old unit prices. Managers not on a real-time system could also find two hours insufficient.

SIB is still not entirely satisfied with the position of managers as principles and as agents. However, its timetable is tight and parliamentary approval is needed for SIB to take over the regulation of unit trusts. So it intends to investigate further during 1988 with full consultation with the industry.

Collective Investment Schemes, Securities and Investments Board, 3 Royal Exchange Buildings, London EC3V 3NL. £5. Comments on the rules are required by November 2, 1988, and should be sent to the secretary of SIB.

Securities law to be reviewed

BY RICHARD WATERS

COMPANY LAW restricts banks and securities houses from showing their full profits on securities trading, accountants warned yesterday. The British Bankers Association and the Accounting Standards Committee are investigating.

Many financial institutions already break the law technically, by showing their portfolios of securities at market value rather than at the price they paid - a practice known as "marking to market." This enables them to recognise notional profits on securities even though they have not turned the profits into cash.

This practice, which contravenes company law that requires a company's stock to be carried at no more than cost, is followed by more than half of all securities houses, said Mr Roger Munson, a partner with accountant Coopers & Lybrand.

He said others did not follow the practice because they thought it would be against the law.

"I'm not going to say that they are breaking the law - but there is a query," said Mr Michael Renshall, chairman of the ASC. "If you mark to market, it could mean that you bring in an unrealised profit."

When assessing performance internally, it is usual for a portfolio to be shown at its current market price. "It is ridiculous not to give this information to shareholders as well. Anything else is misleading information," said one bank auditor.

Accountants denied that allowing companies to show unrealised profits would artificially enhance their earnings figures - even though any company adopting marking to market will benefit from a one-off profit increase in the year the change occurred.

They also denied that it was dangerous for securities traders to report a profit on stock which may subsequently fall in value.

The need for a review has been caused by "the upsurge in transactions in marketable securities," said Mr Renshall.

'Abnormal deals' rule nearer

BY RICHARD WATERS

A REQUIREMENT for companies to disclose details of any "abnormal" dealings with related companies moved a step closer this week when the Accounting Standards Committee agreed in principle that accounts should contain this information.

This marks the latest in a prolonged attempt by the committee, which sets accounting standards, to tackle abuses in this area. Companies which are members of the same group, or which have a common large shareholder, may indulge in deals which are not priced commercially to move profits from one company to another.

Mr Michael Renshall, the committee chairman, said yesterday: "It is a contentious issue. Not all related party transactions are sinister or improper or carried out at anything other than arm's length."

Deals between companies are likely to be considered abnormal if they are out of the ordinary or if they are at prices out of line with those in the market. A draft accounting standard outlining how these rules will be applied in practice is expected to be published early next year.

Companies may be forced to disclose a shareholding relationship with other companies, even if no single transaction between them is large enough or abnormal enough to be disclosed.

This could be damaging to British companies which, for political reasons, conceal a relationship with an overseas trading partner, said Mr Renshall. Such concealment is not unethical but reflects "the realities of commerce," he said.

English Estates to be reviewed

By Our Accountancy Correspondent

ENGLISH ESTATES, the government-owned industrial and commercial property developer and manager, has called in outside consultants to carry out a full review by the end of the year.

The review, to be conducted by Peat Marwick McLintock, the accountancy firm, is expected to lead to a shake-up at the company which is the largest property developer and manager in Britain and plays a central role in the Government's plans for economic regeneration in Britain's industrial heartlands.

The consultants will consider the company's strategy and organisation, the way it uses its resources and the quality of its financial controls.

Link starts cashless shopping trial

BY HUGO DIXON

LINK, one of Britain's biggest cash-dispenser sharing consortiums, yesterday launched its first electronic cashless shopping experiment.

Under an agreement with BP, the oil company, any of Link's 3.2m cardholders will be able to use their cards to buy petrol and withdraw cash at 23 BP service stations near the M25 motorway. The cards have been limited to obtaining money from the cash-dispensers run by the 25 financial institutions that make up Link.

Link's move is significant in that it will charge BP a fixed amount for each transaction, rather than a fee proportionate to the value of the purchase. Earlier this year, there was a row between Barclays and retailers over its plan to charge a proportionate fee.

The decision by Link to set up its own experiments further undermines the nationwide cashless shopping scheme being set up by Eftpos UK, a company run by Britain's leading banks. Link said yesterday it plans two further experiments this year.

Minister backs credit register

By Hugo Dixon

MR FRANCIS MAUDE, Minister for Consumer and Corporate Affairs, has supported calls for a national credit register as a way of minimising over-indebtedness by individuals.

However, Mr Maude told a conference organised by UAPT-Infolink, the credit-reference agency, that the Government had no intention of setting up and overseeing such a register.

Mr Maude's preferred solution is for more financial institutions to provide information to existing credit-reference agencies. Financial institutions could check these registers before making a loan to see how much a customer had borrowed.

CAA plans new survival training for aircraft crew

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority is introducing cabin training rules for aircraft crews which will give them greater practical experience in safety and survival procedures.

The CAA believes this will help to achieve maximum passenger survival in an accident.

The new requirements include increased training in the use of emergency and survival equipment, smoke detection equipment and water-borne survival aids and emergency evacuation.

There will also be written tests for the annual emergency survival tests already undertaken.

The CAA says the new training rules follow wide-ranging discussions with the airlines.

For light aircraft involved in general aviation (outside the airline industry) it is proposed that all passengers should be given safety briefings by pilots. The present rules require such briefings only in public transport aircraft and the CAA believes that many passengers are not familiar with the different conditions in smaller aircraft.

Briefings for light aircraft passengers will include the position of emergency exits and the use of safety harnesses, oxygen equipment and lifejackets.

Lloyd's broker in takeover deal

BY NICK BUNKER

DEREK BRYANT, the small, troubled Lloyd's insurance broker, has taken its first step towards cutting its dependence on US dollar revenues by buying R I Richards, a Middlesex-based general insurance, life and pensions broker.

Bryant is paying £500,000 for the company, of which half is in cash and the rest in new Bryant shares. Richards made pre-tax profits of £27,150 in the year to March 31.

The news comes only two weeks after Bryant disclosed that it was looking for merger partners following a £186,000 net loss for the six months to June 30.

David Thomas and Terry Dodsworth on the background to a telecommunications merger

Plessey and GEC agree to cross lines

THE FIRST act in one of the longest-running dramas - some would say farces - in British industry closed yesterday when General Electric Company and Plessey agreed in principle to merge their telecommunications interests in a 50-50 jointly-owned company.

A £1.2bn turnover company will be created, with broad interests in public and private exchanges, transmission and data communications.

The move appears to bring to an end fraught relations between the two companies which reached their lowest ebb last year when Plessey, with the help of the Monopolies and Mergers Commission, fought off a hostile bid from GEC.

The commission did isolate one area where the merging of the two companies' interests would be beneficial, which was their overlapping manufacturing capacities for the System X digital telephone exchange, which they had both developed.

The commission's judgment echoed the view of most observers of the industry, who had watched with mounting despair as GEC and Plessey made sporadic attempts, dating back to at least 1983, to sort out problems over their collaboration on System X.

In spite of the friction which the bid had caused, Mr David Dey and Mr Richard Reynolds, who head respectively the Plessey and GEC telecommunications divisions, started another round of talks within months of the commission report.

Yesterday's announcement shows that their ambitions went beyond what the commission was suggesting because they intend to combine all their telecommunications equipment interests and not just System X, in what Plessey described as "an incredibly bold move."

Although that will not propel the merged GEC-Plessey telecoms group far up the world league of telecommunications equipment manufacturers, it will release the sort of resources needed when development costs for telecommunications equipment are spiralling upwards.

In financial terms, the deal means much more to Plessey than to GEC. Telecommunications account for 48 per cent of Plessey's activities, with sales of £681m, but only 13 per cent of its larger rival's business (at £749m).

Both companies have a wide range of activites, with the largest proportion of sales tied up in System X, which accounted for £450m of their joint turnover last year. While System X represents the glamorous side of the business, they are both equally active in the transmission sector and in private telephone exchanges.

UK NEWS

Dennis Kavanagh compares the Heath and Thatcher Governments

A tale of two prime ministers

MRS THATCHER will shortly bask in the adulation of her party conference. She knows that her position in history is secure.

But what of the last Conservative Prime Minister, Mr Edward Heath? During this year's general election campaign Mr Heath lamented: "An attempt has been made to obliterate me from the history books and certainly from public life." He was correct. He was *not mentioned* in the party's Campaign Guide 1987.

It is likely that historians will compare Mr Heath, to his disadvantage, with Mrs Thatcher. The similarities between the two are striking. Both represented a more meritocratic strain in a *blue-blooded party*. They came from comparatively modest backgrounds, won scholarships to local grammar schools and Oxford, and were, in Mr Heath's words, "products of opportunity."

In 1970 the programme of the Heath Government, like that of *Mrs Thatcher in 1979*, promised a clear break with the post-war consensus. His economic policies were regarded at the time as a major challenge to collectivism and as a step in the direction of more free-market policies.

The programme encompassed a limitation on trade *union privileges*, reduction of state intervention in the economy, avoidance of a formal prices and incomes policy, cuts in public spending and direct taxes, and greater selectivity in welfare.

The Heath Government soon felt itself forced to make U-*turns. It put its industrial relations* legislation on hold, increased public spending and, most spectacularly, intervened in industry and introduced a statutory prices and incomes policy. Its downfall in 1974 (and that of the Callaghan Government in 1979) seemed to confirm *the conventional wisdom that* Governments could not govern without the consent of the unions and could not be re-

Edward Heath: forced to make U-turns

Margaret Thatcher: "slaying dragons"

elected with high levels of unemployment. Mrs Thatcher has managed to rewrite the guide books in this area.

The lessons of history are selective, and the personalities and events of the recent past *are invariably invoked* by present-day political rivals to fight contemporary battles. Since 1979, Tory "wets" and Labour critics of the Government have praised the "one nation" policies of Mr Heath and earlier Tory Governments in their attacks on Mrs Thatcher.

In line with the *dictum* that winners write history, however, the Thatcherites have had the last word. They regard the Heath record as illustrating a failure of political will and the abandonment of political principles. They see the experience of the Heath Government (and *succeeding Labour* Governments) as confirming the political bankruptcy of the Keynesian and collectivist approach. Mr Heath's policy reversals reflected the lack of ideological underpinning for the policies. In the absence of principles, opportunism prevailed. In many *respects Mrs Thatcher has* made her reputation as an anti-Heath figure.

The contrasts are many. She has won her big battles with the miners and other unions, made her industrial relations legislation stick, rejected the "social partners" style of economic management and is more pro-American than pro-European. *Her privatisation programme* has fundamentally redrawn the boundaries between the private and public sectors. Above all, she has restored the authority of government which was in tatters in the 1970s.

The dragons that she claims to have slain, notably overmighty trade unions and inflation, are largely a legacy of Mr Heath's Government. The spectre of trade union power and fear of inflation were dominant themes in British politics in the 1970s and impressions of his term are still affected by the manner of the downfall.

It is remarkable to reflect how little remains of the Heath Government's legislation. The succeeding Labour Government immediately scrapped the industrial relations and housing finance policies. It abolished the statutory controls on incomes and reintroduced compulsory comprehensive education. Britain's membership of the European Community was thrown into the melting pot by Labour's decision to renegotiate the terms and hold a referendum.

Mr Heath's reform of the machinery of government also proved short-lived. The "super-departments" - of trade and industry, and the environment - were broken up. Programme and Analysis Review was formally abandoned in 1979 and Mrs Thatcher disbanded the Central Policy Review Staff, or "think tank," in 1983.

In defence of Mr Heath, it could be said that he faced a less *sympathetic climate of* opinion than Mrs Thatcher. The Labour Party moved sharply to the left and was obstructive. His Government was the first to feel the brunt of the more powerful labour movement and the inflationary pressures from the quadrupling of Arab oil prices.

In his determination to preserve full employment, Mr Heath showed that he was a child of the post-war consensus. Maintaining full employment was not mentioned in the 1970 manifesto because it was taken for granted. Yet pursuing this goal was important in producing the U-turns, notably the incomes policy. It was only when the unions over-reached themselves in the winter of discontent that a new Government was able to take action against them. Mr Heath was not only the last Prime Minister to have a statutory incomes policy, he was also the last to pursue economic growth in terms of full employment.

Mrs Thatcher learned from his failure and was the first leader not even to try to maintain the post-war consensus. She is the product of Mr Heath's failure and the crumbling of the post-war consensus.

The author is professor of politics at Nottingham University. This article is based on his contributions to Ruling Performance, edited by Peter Hennessey and Anthony Seldon, and published by Basil Blackwell.

IBM to sell terminal for leisure industries

By Alan Cane

INTERNATIONAL Business Machines, the world's largest *computer manufacturer*, has staked its claim to a place at the pub and club bar with the launch of a computerised cash terminal for the leisure industries.

Designed in collaboration with Scottish & Newcastle Breweries, the terminal is es*sentially an IBM Personal* Computer with a modified case housing a cashbox, keyboard, video screen and mini-printer.

Scottish and Newcastle has already installed 50 of the terminals, which price drinks and food automatically, analyse stock levels and send reports *electronically* to head office.

According to Mr Alastair Mowat, a director of Scottish & Newcastle, the brewery plans to invest nearly £1m to equip its public houses in the Newcastle area with the terminals in the first phase of a re-equipment programmme. The terminals *with software cost £3,000 each.*

Most Scottish & Newcastle public houses in Scotland already use electronic point of sale equipment built by the Scottish company Zonal.

Mr Mowat said that Scottish & Newcastle was discussing with IBM the possibility of a joint *venture to market the terminal* to other breweries, restaurants and clubs.

Mr Tony Cleaver, chief executive of IBM UK, said: "We have designed, developed, built and sold a uniquely UK product specifically for the UK market."

According to a survey by ICL, the *UK's* only mainframe computer manufacturer, electronic cash systems are beginning to take off in the UK and the greatest growth will be in pubs and restaurants. By 1993, it says, 40 per cent of major outlets will have electronic cash terminals compared with 1 per cent today.

Lord Lane to hear Best appeal against sentence

LORD LANE, the Lord Chief Justice, is to preside over the appeal by Mr Keith Best, the jailed former Tory MP, next Monday.

Mr Best, a 38-year-old barrister, was convicted at Southwark Crown Court on Wednesday of attempting to obtain British Telecom *shares* by deception in 1984, and received a four-month jail sentence. He is expected to be taken from Brixton prison to the Court of Appeal for the hearing.

Mr Best, who represented Ynys Mon, Anglesey, from 1979 until his resignation earlier this year, was also fined £3,000 by Judge Gerald Butler QC.

Court officials confirmed that Lord Lane will sit with two High Court judges.

Mr Best had denied trying to make a dishonest profit out of the BT share launch, but was told by Judge Butler that he had engaged in carefully calculated acts of dishonesty.

MSC chief warns of skill crisis

By Charles Leadbeater

IGNORANCE, incompetence and amateurism still hinder the recovery of the British economy, Sir Bryan Nicholson warned yesterday in his final speech as chairman of the Manpower Services Commission.

Sir Bryan is due to leave the MSC at the end of this month, after three years in the job, to become chairman of the Post Office.

In a highly critical review of employers' approach to training, he said the commission's promotion of training had persuaded many employers to talk more about the subject. However, too few had taken action to improve their training programmes.

Sir Bryan said: "All kinds of factors point to a possible skill crisis in the years ahead, and that crisis will not be averted by government action alone.

"The improvements being sought in education, in the Youth Training Scheme and in training for unemployed people will not be enough in themselves. Employers must put their money where their mouth is and start to invest heavily in people."

Livingstone savaged on nuclear defence

ACCUSATIONS of political opportunism and immaturity were levelled at Mr Ken Livingstone, the hard-left MP for Brent East, when the Labour conference *reaffirmed* the party's commitment to a non-nuclear defence policy at Brighton yesterday.

Close supporters of Mr Neil Kinnock, the Labour leader, savagely denounced his warning, delivered at a Tribune rally the previous day, that the party would be plunged into civil war if any attempt were made to use the comprehensive policy review agreed this week to change its unilateralist stance on nuclear disarmament.

Mr Tony Clarke, of the Union of Communication Workers, speaking on behalf of the national executive, swept aside the protests from other left-wingers as he subjected Mr Livingstone, sitting in the seats reserved for MPs, to a stinging rebuke.

He complained that it had only been outside the conference hall that any delegate had suggested that Mr Kinnock, who had been campaigning for 27 years to get nuclear weapons removed from Britain, might seek to resist a composite motion reaffirming the non-nuclear defence policy.

Mr Clarke revealed that 2½ hours before the speech was delivered - a text had been circulated in advance - he told Mr Livingstone that the NEC would be recommending acceptance of the resolution.

Glancing at Mr Livingstone - whom he did not name - he said: "I find that disgraceful, immature and beneath the dignity of a Member of Parliament."

Mr Clarke told the protesters: "You do not like it. But it is true."

Echoing an earlier injunction from Mr Kinnock, he insisted that no one could be allowed to divert the party from its prime objective - "winning the next election."

The savaging of Mr Livingstone - not called to speak in the debate - was initiated by Mr Denis Healey, the former shadow Foreign Secretary.

He rounded off an appeal for the policy review to be conducted on a comradely basis by insisting that there was no room for threats or warnings.

To cheers, Mr Healey said: "I do not think the movement wqill forgive anyone who tries to exploit the difficulties of the arguments for personal political advantage."

Without identifying Mr Livingstone by name, Mr Healey referred to his assertion that the best guide to politics in the Labour Party was Mario Puzo's Godfather.

He said: "If he really believes in that let him stick to making horse's heads for the Mafia."

The Labour Party, he maintained, did not require any lectures from the representative of the Brent constituency on how to win a general election.

Mr Healey also firmly rebutted a claim by Mr Arthur Scargill, the president of the National Union of Mineworkers, that a non-nuclear policy would enable the next Labour Government to divert the money allocated to the Trident nuclear submarine programme to the building of hospitals, houses and other social projects.

It was a waste of time to talk in such terms, he said, because by the time the next Labour Government *took office all* the Trident money would have been spent through Labour's failure to prevent Mrs Thatcher winning the last general election.

Mr Healey called for recognition of the need for Labour to keep in line with its "natural allies" in other socialist countries on defence policy while continuing to work for developments enabling Nato to adopt a non-nuclear strategy.

Mrs Joan Ruddock, MP for Deptford and the former chairman of the Campaign for Nuclear Disarmament, forcefully made clear her continuing faith in Mr Kinnock's commitment to a non-nuclear defence policy.

In him, she stressed, they had a leader who had made it clear he would not be prepared to order the use of nuclear weapons.

To cheers, Mrs Ruddock emphasised: "We are really proud of that."

She maintained that it was already apparent that the review of policy would take account of the principle that the possession of nuclear weapons and threats to use them were "unacceptable to the fundamental concepts of freedom, justice and democracy for which this party stands."

But she accepted that there was nothing wrong "in using Trident politically and demanding that the Soviet Union match our unilateral action."

Mrs Ruddock told delegates: "This is a time for courage and for a rational review and not a time for an unprincipled leap back into history."

Mr Eric Hammond, the leader of the EETPU, electricians union, was *subjected* to what seems to have become ritual hissing when he went to the rostrum to advocate that the implementation of a non-nuclear policy should be made subject to a referendum held in the first year of office of the next Labour Government.

Mr Hammond stated that on the basis that a future Labour government *would be pledged* to hold a referendum on the issue, support for the party had increased from 31 per cent - roughly the level achieved in the June general election - to 38 per cent.

The national executive opposed the proposal and a resolution embodying it was defeated.

Denis Healey: caustic rebuke to Livingstone on his choice of reading

Meacher urges change in balance of industrial power

GIVING MORE power to workers to influence company decisions will be a top priority for the next Labour Government, Mr Michael Meacher, the shadow *Employment Secretary, told* the conference.

Summing up a debate on the economy, he called for a change in the balance of industrial power to ensure that companies invested in job creation rather *than expending resources in* takeover battles. "That means a great deal more than simply wider employee share ownership - our aim is nothing less than the redistribution of power.

*"That is why industrial de*mocracy - the extension of collective bargaining to all strategic decision-making which is now the prerogative of management - must be one of the top priorities for the next Labour Government."

For example, he suggested that ballots of workers as well as shareholders should decide on whether a merger or takeover should go ahead.

The debate was, in part, a rerun of Wednesday's session on social ownership

Monstrous regiment belabours brothers

DEFENCE DAY at the Labour conference and throughout it was dominated by the issue that undoubtedly cost the party the last election - women.

Earlier in the week, this small but ear-splitting minority had trampled their often unpopular views on their weaker, more sensitive and self-effacing male colleagues.

Labour conferences - like, indeed, Tory ones - have been pushed around by women for some years now. The only difference between the parties is that democratic Labour allows collective bullying while the Tories delegate all the strong-arm stuff to one.

Yesterday, however, it came to a crunch. Poor Syd Tierney, the chairman, returned from an agreeable lunch with the lads to find the platform surrounded by a full brigade, heavily armed with righteous indignation and one even carrying the ultimate deterrent, a baby.

In a vain attempt to disarm the onslaught, he tried the great socialist defence strategy of rational negotiation, along the lines of: "Could I be of assistance?"

The women were not, however, looking for assistance. They were in search of their democratic rights - items that continually seem to go astray in the presence of Tory governments or scatterbrained, flippety-gibbet men.

After the usual shouting, it emerged that the misplaced right in question concerned a provision to ensure that women are represented on all the party's short-lists for desirable jobs. This being already conceded in a desperate bid by Labour men to avert an earlier holocaust, the plaintiffs now demanded that if a short-list was very short (ie one) this person would not, in any circumstances, be of a gender other than female.

When news of this leaked back to the lads, still sitting obediently in their seats, the first public grumbles of dissent began to be heard. Many of the brothers had read the conference report arguing that women - like Moslems in the Soviet Union - will be a majority of the electorate by the turn of the century.

While notionally pacifist (yet another previous concession), there is a mounting mood among them that there comes a point where you must stand and fight this kind of terrorism. Clearly this was not shared, alas, by Mr Tierney who made the fatal error of asking the melee for a "spokesman..."

After the explosion had died down, it was clear that nothing but full appeasement would do and the sisters withdrew triumphant once again.

To calm the mob, Mr Tam Dalyell was then brought on to paraphrase a few of the remaining unread extracts from Spycatcher. It was a smart move.

With the Belgrano issue now well and truly sunk, Mr Peter Wright's book has steamed up in the nick of time for the MP. His particular obsession appeared to be an episode in which Mr Edward Heath is alleged to have "glowered, turned on his heel and walked out."

Mr Dalyell wants a full inquiry into this. Which heel did the Prime Minister turn on, for example?

But the only real joy of the afternoon came from that old *macho Denis Healey. With* eyebrows bristling like missile silos, he attacked both the Prime Minister and Mr Ken Livingstone for creating a situation where the UK's nuclear policy now led to "a recipe for permanent, humiliating dependency on the US."

IVO DAWNAY

Gould stakes claim for socialist respectability

PETER RIDDELL on the continuing debate within the party over the merits of share ownership

MR BRYAN GOULD's advocacy of wider share ownership has in the last week become a symbol of the battle for the updating of Labour's policies.

To the hard left the mere mention of the term is anathema. There were a number of criticisms of his ideas and talk of the affluent worker during yesterday's debate on the economy.

The same point is taken up in the various hard-leftconference newsletters. One, Campaign Briefing, attacks "theright's economic illiteracy and lack of understanding of public accountability and public ownership were *inseparable*."

Similarly, Socialist Organiser accuses Mr Gould of "panicking" and looking for a solution in "designer politics."

Even some in the mainstream left think that Mr Gould's comments a week ago - or, at any rate, the popular interpretation put on them - may have gone too far. Since then, Mr Gould has to *some extent been on* the defensive, justifying and explaining.

Last night at a fringe meeting he sought to clarify the position, defining more specifically what he was seeking. He noted that some of the ideas he had used were part of the Labour movement's heritage and if he had talked about workers' control and industrial democracy there *might have* been a different response from parts of the conference and less interest from the daily press.

He pointed out that Labour's 1971 green paper on capital sharing had suggested a system of transferring shares to the workers and similar plans had appeared both in 1982 and in last year's social ownership *statement*.

He went on to explain that he was advocating a form of popular socialism, ensuring that shares were issued as rights issues to enhance the wealth and control of the workers in the companies for which they were issued.

"Those new shares will not be traded in a conventional way *and they will not be a means of* creating another casino. They will ensure a dividend to those workers, but that dividend will be returning to them the fruits of their own labours - what the old-fashioned Marxist will call "surplus value," he added.

Mr Gould sought to distinguish his approach from "popular capitalism." He said that under *his plan the additional* income to workers was not a substitute for wages. "It comes not out of profits needed for reinvestment, but from dividends."

Mr Gould went on to argue that there were other ways of achieving accountability throughout industry, both public and private. He suggested *changing* the *rules for trustees* of pension funds to ensure that they were both more accountable to members and more responsible in their investments.

He also suggested freeing local authorities from the legal restrictions which have prevented them from promoting productive enterprises.

Variants of these ideas have come *during the conference* from other Labour leaders. Speaking at the Tribune rally, Mr David Blunkett argued that Labour's appeal must be to the consumer and worker.

He said that, "instead of shares which offer no power or access to decision-making, Labour should offer a very radical alternative. Consumers of socially-owned industries should be given a personal stake in the industry or service concerned. Those buying an Austin Rover car would be given a consumer investment entitling them to hold company managements to account.

Mr Blunkett went on to suggest that "telephone subscribers under such a system would have the right to elect representatives to the national annual meeting, where board members would be answerable and consumer directors elected - giving real choice and power."

There has been much talk at the conference about opposition to privatisation - as well as by some, like Mr Alan Tuffin, of the Union of Communication *Workers, of the* need to accept what has already happened.

But this begs a number of questions about what might happen in future with the forthcoming privatisation of the water and electricity industries. Labour leaders are clear that they cannot again talk about taking such industries back into public ownership on terms *which can be made to appear* confiscatory.

A clue to future thinking came in a late-night television interview from Mr John Smith, the shadow Chancellor. He said that ownership *per se* might not be the best way of achieving the party's objectives in relation to industries and utilities. It might be that regulation would do the *job as well*.

So we may be hearing a lot more about Oftel and Ofgas in major sectors of private industry. But Mr Smith, a more cautious political operator than Mr Gould, has so far kept his cards closer to his chest and avoided the political flak which Mr Gould has faced - and which will now force the latter to re*group and strengthen his* position.

Protest by women over reselection

ABOUT FIFTY women delegates staged an angry demonstration at the conference rostrum in a row over the party's rules for the reselection of MPs.

The protest followed an unsuccessful attempt on Wednesday by women, mainly from *constituency parties, to reject* part of the reselection procedure. A move to refer back the NEC report on the issue was defeated on a card vote by 5,475,000 to 665,000.

The women argued that the NEC had not fully honoured a conference decision last year that there should be one woman on every short-list for the *selection of a parliamentary* candidate. They say that the rule which allows a constituency to reselect its MP by having a short-list of one goes against this principle.

Prominent women in the party were angered by the demonstration, which delayed the start of yesterday's afternoon session. Ms Maureen Les*ter, of the shopworkers' union*, Usdaw, said outside the conference hall that the protesters were either seeking a privileged position for women MPs - in that they would be eligible for one person short-lists while male MPs would not - or they were looking for contested reselections in every constituency.

Ms Anne Davis, of the National Union of Labour and Socialist Clubs, a member of the incoming NEC, said the demonstrators were trying to pretend that the people who voted on Wednesday did not understand what they were voting for. They were seeking a position which was in defiance of the party's constitution.

Mr Syd Tierney, the party chairman, firmly resisted all attempts to re-open the conference debate on the issue, and the protesters were later in conference with Ms Joyce Gould, the party's national organiser.

Audrey Wise: 'short-term profit' claim

Forestry tax incentives opposed

THERE SHOULD be no tax incentives for private investment in forestry, the conference decided yesterday.

Delegates passed overwhelmingly a wide-ranging motion on the environment including a call "to bring forestry under planning control, remove tax incentives to private investors and to make the publicly-owned Forestry Commission more socially responsible." Any forestry subsidies should be confined to deciduous woodland.

*No reference was made to for*estry tax incentives during the short debate, but Ms Audrey Wise, MP for Preston, summing up for the national executive committee, hinted that there had been disagreement within the NEC over whether to support the motion.

In the end, the NEC recommended acceptance in spite of *some flaws* - not including the tax provision. For example, it was felt that the statement on subsidising deciduous woodland only was too sweeping, but it was supported because of its clear intention to halt the spread of conifer-only forests.

Local income tax option 'to be considered by Labour leaders'

A LOCAL income tax would be among the options considered by Labour leaders in framing an alternative to the Government's poll tax proposals, Mr David Blunkett, the national executive's spokesman on local government, told delegates.

He joined with Mr John Cunningham, the shadow Environ*ment Secretary, in forecasting* Mrs Thatcher's removal from 10 Downing Street in the wake of the national campaign to be mounted by the party against the poll tax. The tax, known formally as the community charge, is intended to replace domestic rates in Scotland in 1989 and to be phased in later in England and Wales.

These optimistic forecasts about Labour's electoral prospects contrasted with the protests made by official spokesmen and rank-and-file delegates over the failure of the conference organisers to provide adequate time for an effective debate on an issue already causing serious problems for the Government.

One irate Scottish delegate unable to take part in the debate grabbed the microphone for a time and delayed Mr Cunningham's appearance on the rostrum.

Mr Blunkett stressed that his apparently spur-of-the-moment suggestion that fresh consideration should be given to the possibility of introducing a local income tax did not involve any commitment by the national executive.

He argued that the army of snoopers needed to impose the poll tax and the imposition of a hitherto unacceptable identity number for all adults would constitute a threat to individual freedom.

*To cheers, Mr Blunkett de*clared: "Big Sister has replaced Big Brother as a threat to our liberty."

Mr Blunkett suggested that in years to come nativity plays would have Mary and Joseph making their way to Bethlehem to register for the poll tax.

"They will find that the mater*nity hospital has been closed*, an urban development corporation has redeveloped the stable and the Three Wise Men have been arrested for not having their identity numbers."

While accepting the need for the campaign against the poll tax to be conducted outside as well as inside parliament, the leadership successfully called *for the rejection of a composite* resolution implying support for action in breach of the law.

Mr Blunkett reaffirmed the party's commitment to raising funds to assist the former Labour councillors in Liverpool and the London borough of Lambeth threatened with bankruptcy as a result of the penalties imposed upon them for failing to comply with the law governing the setting of rates by local authorities.

But he rebuked delegates who had used the procedures of the conference to further the views of extremists outside the party.

Mr Blunkett complained that "some of us are sick and tired of being expected to back any ac*tion put forward by the Socialist* Workers Party who try to attack left-wing Labour councils."

Mr Clive Soley, the party's housing spokesman in the Commons, condemned the Government's recent housing white paper on the grounds that it did nothing to deal with the housing crisis.

He stressed the problems of house price inflation in the south-east, where there are 100,000 homeless families, especially those in bed and breakfast accommodation, and the failure of the Government to face up to the challenge of 4m homes in disrepair.

Mr Soley contended that the Government was bringing back the era of *"Rachman and 'Cathy* Come Home"'.

Government policies, he said, meant abandoning the objective of good housing for all at a price ordinary people could afford and and denying any real choices between owning or renting at different times in a person's life and in different circumstances.

Brother Todd gives his famous Welsh impression

MR RON TODD, the Transport Union leader, yesterday got his revenge on Mr Neil Kinnock for the impersonation of his accent in the party leader's speech to conference on Tuesday.

Mr Kinnock had quoted Mr Todd as saying he would find it difficult to approach a docker earning £400 a week, saying "let me take you out of your misery, bruvver." Yesterday, Mr Todd ended his speech on trade union and employment rights by quoting, in a Welsh accent, almost as convincing as Mr Kinnock's imitation of a London drawl and spiced with music hall Welsh phrases, a statement by his party leader that "it's of common sense as well as justice, look you, of principle as well as practice, boyo.'

The conference passed a motion backing legal *changes to* parallel the new approach at last month's TUC conference to focus on the needs of temporary and part-time workers.

A motion approved unanimously by delegates called for new laws to bring temporary, casual and home workers within minimum pay legislation, to give temporary workers the same employment *rights as per*manent staff and to include new workers and contract staff in all employment laws,

A motion rejecting the government's latest union reform proposals and repeating Labour's commitment top scrapping all the union laws passed since 1979, was carried overwhelmingly.

Benn presses on in search for the socialist grail

Michael Cassell on the unyielding credo of Labour's hard left

Tony Benn and Joan Maynard

THE POPE, claimed Mr Tony Benn, would have his blessed hands full if the Holy Catholic Church was forced to amend the Ten Commandments every time it received evidence that they had been ignored.

Sensibly resisting the temptation to ditch his own, lingering aristocratic lilt in favour of an Italian accent, the left-wing MP for Chesterfield gave an account of the likely papal exchange upon hearing of the latest moral indiscretion: "There's been a bit of adultery, lads. We will have to take it off the list."

Nowhere does adultery appear on the Tablets which define Mr Benn's socialist creed of solidarity and anti-capitalist class struggle, but his point was that Labour's third election de*feat was no justification for* smashing them up and carving new ones. Rather, it was the shibboleths of Adam Smith which had to cast from the top of the mountain.

Addressing a packed meeting of the hard-left Campaign Group before yesterday's conference debate on defence, Mr Benn's difficult task was to raise spirits and dispel despair among those to whom any mention of "designer socialism," Nato or Bryan Gould touches off political apoplexy.

He swore that he was more cheerful than he would have thoughtpossible, the Brighton delegates having repeatedly made it clear that they were not in any mood for abandoning the principles which had created the Labour Party and which were destined to wipe out the "evil, rotten and corrupt" values of Thatcherism.

Mr Benn was predictably scathing about the threat to party purity posed by the Kinnock-led policy rethink. There could, he warned, be no dilution of socialist principles, no ideological coalitions born out of the mistaken impression that they could bring victory.

The inspiration behind the alternative Socialist Conference to be held later this month at Chesterfield - now "working for socialism" along with its twin *town in* the People's Republic of China - Mr Benn has taken to repeating a little anti-Wilson smear about political integrity.

All good socialists and true, he insists, must say and believe in private what they say in public, unlike Harold who sounded like Nye Bevan at conference and like Reg Prentice in Cabinet. The joke has worn thin for fringe fanatics (rather like Mr Dennis Skinner's description of a yuppified, working-class party on the "Road to Ramada" but it goes down well with the faithful.

Above all, Mr Benn stressed, any attempt to dump Labour's unilateralist defence policy was unthinkable. He did not agree with Mr Ken Livingstone's predictions of civil war within the party if the unthinkable happened, but only because people like Mr Benn would not stay around to carry any other type of defence banner.

He acknowledged that the left had received setbacks this week. First, the conference had adopted a policy statement, now somewhat irreverently referred to as "Moving About," rather than "Moving Ahead." The newly-adopted electoral college system would cut trade union representation in his own constituency party from 65 per cent to 40 per cent while the left had lost three of its champions *on the national executive com*mittee.

But Mr Benn said that anyone who had come to Brighton to see socialism marginalised would be disappointed. However much pessimism about the impossibility of Labour's position was pumped out, the party would refuse to come to terms with Thatcher*ism*.

Labour's defeat, he claimed, had created a vacuum which the left had to fill. But it should not adopt the tactics of the old left, by walking out or indulging in personal attacks - the more people had a go at Mrs Thatcher, the more she won.

Socialists could *not be put off* by hordes of Peter Kellner-type pundits, sweating over calculators to prove the impossibility of Labour's task. There was a battle to be fought for the hearts and minds of the party and the people and there was no time to waste.

Mr Benn's implied criticism of the party leadership was positively statesmanlike compared to the contributions from some of his compatriots. Mr Jeremy Corbyn, the MP for Islington North, called on the constituency parties and trade unions to work together to win dominance on the national executive and to work to elect a new leader and deputy leader to rid the party of "a centre ground which likes pastel shades."

Audrey Wise, who was this week voted off the NEC, said the task ahead was to raise a head of steam on policy issues that would make it impossible for the Kinnockites to renege on their commitments. She dismissed her little, local setback and warned that she would be around long after those who now glittered had gone.

Joan Maynard, also removed from the NEC, called her leader's speech "boring and turgid" and everyone went back to the conference hall for a little bit more of the same.

Surveillance allegation

MRS SUSAN WATSON, the widow of a former government scientist Alister Watson, alleged by Mr Peter Wright to have been a Soviet agent, told the conference she had been kept under surveillance.

She claimed that MI5 *regared* Tory supporters as patriots and Labour supporters as "subversive."

Mrs Watson is a delegate to the conference from South West Surrey Labour Party.

Her outburst came after Tam Dalyell, MP for Linlithgow, had read out a statement from the party's *national* executive on Mr Wright's book, Spycatcher, book to the conference.

Mrs Watson stood up demanding the right to speak, but had to wait 20 minutes for her chance, which came during a debate on defence.

Mrs Watson denied the suggestion outside the conference hall that her husband had been an associate of Anthony Blunt, Guy Burgess and Donald Maclean — all agents of the Soviet Union.

MP Tam Dalyell — who earlier told delegates the NEC was demanding a full inquiry into the Wright allegations, returned to the rostrum to tell delegates: "In the opinion of the NEC, Mrs Watson is more than justified in what she said. It was for that reason I made the reference to Peter Wright, in some things he said, of being a fantasist."

Mr Dalyell explained why Labour's NEC was pressing for a full inquiry into Mr Wright's allegations.

The NEC accepted Mr Wright could be a fantasist, but at least an inqiry could test whether his claims were true.

FINANCIAL TIMES SURVEY

Small as they are, the six French-speaking cantons which make up Romandie span a wide scenic variety and are home to nearly a quarter of the 6.5 million Swiss population. Although not the richest region in Switzerland, it is a favourite retreat for the wealthy says **William Dullforce**

Morat in Fribourg canton is a mediaeval town famous for its moat

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Diversity of azure triangle

ROMANDIE, or Suisse Romande, provides the Latin leavening in the predominantly Germanic culture of Switzerland. The vine-clad northern shores of its lakes mark the point at which North Europe obtains its first breath of the Mediterranean and many of its people manage to blend happily the hard-working values of their fellow Swiss citizens with some of the savoir-vivre of their French neighbours.

Six cantons - Jura, Neuchatel, Fribourg, Vaud, Geneva and the Valais - grouped in a ragged half-moon, form the western part of the Confederation. They are home for nearly a quarter of the 6.5m Swiss population, including most of the 18.4 per cent whose mother tongue is French.

A car driver can cross Romandie from north to south in less than four hours: the east-west traverse along the autoroute takes about 1 1/2 hours. Small as it may be, its geographical variety, from the wooded hills of the Jura through the pastures and vineyards of the plain to the Alps of the Valais, made it Europe's first tourist area, the birthplace of the hotel industry and from the 18th century onwards a favourite retreat for the rich, the creative and the politically exiled.

Edward Gibbon, the British historian, spent several years from 1783 in Lausanne, completing his monumental Decline and Fall of the Roman Empire. Today writers, film stars, successful sportsmen, as well as commodity traders and financiers, encouraged by the canton of Vaud's friendly approach to taxation, find havens along the Swiss bank of Lake Leman.

Not the wealthiest region of Switzerland, Romandie, nevertheless, possesses in Geneva an international financial centre whose growth rate in the past 15 years has severely strained its capacities. Geneva is a meeting place for the world's rich and powerful, where the luxury goods on display sometimes ruffle the lingering Calvinistic sensibilities of its own citizens. The rue du Rhone alone numbers 72 jewellers, according to a recent count.

Geneva, however, is the only French-speaking canton with a national income per capita (SFr39,552 or $26,750 last year), higher than the Swiss national average, which itself is the highest in Europe. Jura's income per capita is barely 60 per cent of Geneva's. By this measure Jura and the Valais are the second and third poorest of the Confederation's 26 cantons or half-cantons. By the norms of southern Europe or even of northern England their populations still enjoy a high standard of living.

Japanese competition to the largely artisanal watchmaking of Jura and Neuchatel recently threatened large-scale unemployment there. The danger has been averted partly through an expansion of service jobs but the cantons' bid to transfer workers' skill in precision engineering to electronic and other computerised high-tech production has yet to pay off in full.

Throughout Romandie, even in Geneva, cantonal governments and local business associations are working hard to exploit the possibilities of new technologies and to retain an industrial base. Substantial tax incentives to supplement the high educational qualifications of the local population and to counter the drawbacks for exporters of the strong Swiss franc are being offered to foreign investors.

Cantons do not concert their efforts. Competition for investment within Suisse Romande and with other Swiss regions is keen. This can be read as showing the cantons' respect for the free market or as illustrating special characteristics, such as the individualism and deep concern for local sovereignty, mirrored in their history.

Apart from Fribourg, which joined in 1481, the French-speaking cantons were latecomers to the Confederation which will celebrate its 700th anniversary in 1991. The Vaud gained its freedom within the Confederation in 1803 while Geneva, Neuchatel and the Valais became cantons in 1815 as a result of the peace settlement at the Vienna Congress after the Napoleonic wars. Rebel Jura won independence from Berne canton as recently as 1979.

Swiss French are orientated culturally to Paris and politically to Berne, the federal capital. The pull of the common language puts them squarely in the cultural sphere of France. After reading their local newspapers or watching Suisse Romande television, they will turn to French newspapers and television channels rather than to Swiss German. Not many Swiss French speak German.

Politically, it is a different matter. The strong Protestant tradition in Geneva, Neuchatel and Vaud, is a reminder that Swiss French history dates back to the founding of the Calvinistic church in the 16th century and to the subsequent Huguenot exodus from France after the revocation of the Edict of Nantes in 1685.

Opposition to France was expressed both in religion, which inculcated the bourgeois Protestant virtues of industry and thrift, and in political organisation. Swiss French political life focuses on the canton and commune, not least in the right to vote their own taxes. Direct democracy prevails.

French-speaking Swiss are first of all citizens of their cantons - of Vaud or the Valais - and in this are thoroughly Swiss. It is impossible to imagine them conforming to the uniform, etatiste political system of France.

That by no means implies that relations with the German-speaking majority in Switzerland are simple and clear-cut. On the contrary they are complicated. French is one of the three official languages (with German and Italian) of the Confederation. The federal bureaucracy is subjected to directives on employing people from the different linguistic groups and two of the seven members of the Federal Council or government are French speakers.

Yet, resentments linger. They surfaced sharply in the 1970s when language was a principal argument in the sometimes violent campaign that led to the formation of the canton of Jura out of former Berne territory. The Jura dispute smoulders on over the fate of some predominantly French-speaking communes still inside Berne. Equally, the German-speaking minorities in Fribourg and the Valais, cantons crossed by the language frontier, sometimes voice grievances.

Economically, Romandie is fully integrated with the rest of the Confederation, much to its advantage it must be said, if comparison is made with neighbouring districts of France. However, Swiss French feel keenly that economic power rests largely with the Swiss Germans who run the big corporations and banks. The recent rescue of SMH, the biggest watchmaking group, was organised by Swiss Germans.

For all the grumbling the disparity in economic weight between German-speaking Switzerland and Romandie may be less marked than the Swiss French sometimes suppose. Mr Georges-Andre Cuendet, chief economist of Hentsch, the Geneva private banker, has compared Switzerland's reputed economic power house, the German-speaking golden triangle centred on Zurich, Basle and Olten, with what he dubs the azure triangle of Geneva, Lausanne and Yverdon, traversing the cantons of Geneva, Vaud and Neuchatel.

Although the triangles are roughly the same in area, the azure population is less than half that of the golden. Nevertheless, the azure national income per capita is only 5 per cent lower than the golden with both triangles well ahead of the national average. The azures save less, rely more on imported labour, have invested much less in heavy industry while close to two-thirds of them work in services against 56 per cent in the golden triangle.

Typically, the azure triangle is home for Swiss multinational service concerns such as the Societe Generale de Surveillance (SGS), the inspection and quality control group, Inspectorate, its smaller rival, and Adia, the world's third largest temporary employment group.

Mr Cuendet suggests that the azure triangle has more successfully negotiated the passage to a post-industrial society, a contention that would seem to be supported by the fact that in spite of the recession at the turn of the decade the azure population has recently grown considerably faster - 6.4 per cent against 1.7 per cent for the golden between 1970 and 1983.

Like Swiss business generally, entrepreneurs in Romandie are much concerned with the slow evolution of the European Community, to which they do not belong, towards a single market. Officials promoting regional development, particularly in Jura, Neuchatel and Geneva, refer frequently to the prospects for regional co-operation across the French border. Conversely, French companies are showing heightened interest in the Geneva stock exchange.

In one respect French-speaking Romandie represents Switzerland abroad more visibly than the German-speaking majority. Neutral Switzerland's international role as mediator and diplomatic forum centres on Geneva, where summits and disarmament negotiations are held and from which several UN organisations and Gatt (General Agreement on Tariffs and Trade), the body governing world trade, operate. Its humanitarian activities are embodied in the Geneva-based International Committee of the Red Cross, staffed exclusively by Swiss.

More marked, however, is the permanent foreign element in the city, now estimated to amount to roughly one third of the population and sometimes blamed by native Genevese for air pollution, traffic congestion and expensive housing. Geneva's 'international sector' comprises no fewer than 250 organisations in which some 22,000 people work. The largest single employer is CERN, the European advanced physics laboratory. Altogether the 'sector' spent SFr1.5bn (US$1bn) in Switzerland during 1985.

It is a gross error, however, to equate Romandie with Geneva,

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Diversity of six cantons

continued from previous page

by far the smallest of the six cantons. Apart from the common language, the region's most salient characteristic is its diversity. Protestantism, for instance, is not omni-present. Geneva now contains more Catholics than Protestants and regionally the Protestant cantons are balanced by the Catholic Fribourg and Valais.

Fribourg was a stronghold of the Counter-Reformation, the 'Swiss Rome' strongly influenced by the Jesuits. Its economic development from mainly agricultural to industrial production and services was slow. The Valais, also profoundly conservative, has in recent years been the home of a seminary from which Monseigneur Marcel Lefebvre has waged a campaign against liberalisation in the Vatican.

Vaud, the most populous canton, has almost everything. The bulk of its people live in Lausanne and the string of small towns along the northern littoral of Lake Leman which comprise one of the world's pleasantest and most coveted human habitats. Industry has been carefully sited in the peripheries of the towns. Vaud also stretches across the central plain, where it produces almost 10 per cent of Swiss agricultural output, to embrace the Alps and the folds of the Jura hills. Understandably, the Vaudois are renowned for their insularity, more specifically for a profound attachment to a home to which significantly they refer more often as the pays de Vaud than the canton.

To most outsiders Romandie as a whole must appear to be a deeply entrenched society, historically, politically and even economically. Yet, in the last few years it has been in ferment, stirred by the urgent need to adapt industry to foreign competition and technological advances and to exploit the burgeoning opportunities in banking and financial services.

Its chances of making a successful passage must be good, if only because its human and financial resources are so great. It has wealth of its own, it attracts wealth and each canton has its apprentice schools, technical training institutes and (with one exception) university.

Add the intellectual sharpness acquired from a French cultural tradition, and few regions can be so well endowed to cope with current challenges. As the Swiss French themselves sometimes admit, only their tendency to self-complacency might defeat them.

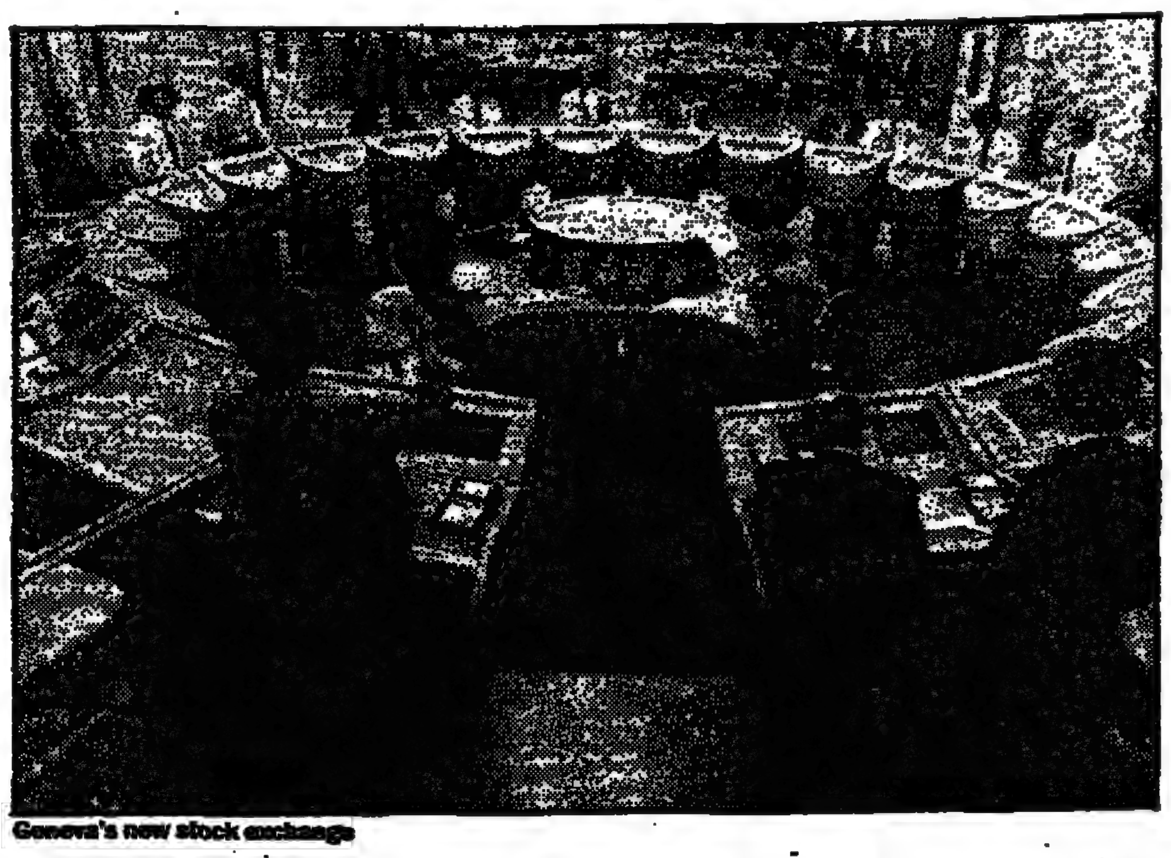
The six cantons vie for a cut of the banking and financial cake

Geneva acts as a honeypot

IN GENEVA, Romandie possesses a financial centre whose speciality, the management of wealth, acts as a honeypot for not a few foreign banks. Many other financial operations are conducted in the city - currency trading is important - but Geneva's reputation is based on managing assets for rich private clients and, increasingly, for institutions.

As Mr Robert Smith, chairman of American Express Bank, has said, Geneva provides "a very profitable atmosphere for private banking". AEB bought Mr Edmond Safra's Trade Development Bank in Geneva for $520m in 1983 and has since made a good business out of focusing it on portfolio management and other financial services.

In sheer weight Geneva plays second fiddle to Zurich on the Swiss financial market but, judged by the number of banks moving shop to the city, its growth over the last decade has been somewhat faster than Zurich's. Just over 50 banks, of which roughly half are foreign-owned, are established at the western end of Lake Leman.



Geneva's new stock exchange

They are supplemented by finance companies without bank status, most of which operate as fiduciaries advising and managing clients' wealth. There are about 150 of them.

According to Federal statistics the number of people working in banking, insurance, related consultancies and personnel services in the canton of Geneva climbed from just under 30,000 to more than 38,000 between 1975 and 1985. Those employed by the banks and finance companies increased from 11,700 to 16,250.

Almost 40 per cent of them work in the Geneva branches of Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse - a reminder of the dominance exercised by the Big Three banks whose headquarters are in Zurich and Basle.

Within Romandie, Geneva is a financial heavyweight among welterweights and flyweights. Its banking sector employs 1 1/2 times as many people as the combined banking sectors of the five other cantons. This does not stop the others from trying for a share of the international monies flowing nto the country.

Lausanne has its own modest stock exchange where the volume of transactions is about one-tenth that of Geneva's but which is starting to show greater liveliness. Turnover increased by 6 per cent in the first eight months to SFr 15.5bn.

A handful of foreign banks and the holding companies of several multinational concerns have sunk roots in Lausanne which is also headquarters for two medium-sized Swiss insurance companies. In fact the canton of Vaud can boast of being the fourth largest Swiss financial centre after Zurich, Geneva and Ticino.

Holland's Elsevier publishing group runs its international financial business from Neuchatel and Elders IXL has just set up an investment management operation there.

Each canton has its own cantonal bank, savings and regional banks, which draw on local patriotism in competing with the big national banks in mortgage lending and commercial credits. They cooperate with the big banks to obtain a share of the domestic bond market.

Unlike their German-speaking compatriots, however, the citizens of the six cantons are not big savers, a symptom perhaps of the Latin temperament. In the canton of Vaud, the richest of the six after Geneva, savings per head are about three-quarters of the national average. The relative lack of thrift is a handicap for the local banks.

As in a good Swiss watch many parts combine to make Geneva tick as a financial centre. They include its status as an international meeting place, its central location in Europe, its airport, the high ratings and efficiency of its hotels, the presence of some of the world's top jewellers, modistes and auction houses and the nearby presence of international private schools. High net worth customers - to use the jargon - like to visit Geneva.

It shares Switzerland's reputation for political, fiscal and monetary stability and Swiss banking secrecy is still a decisive element.

Among its own virtues Geneva probably benefits most from the centuries-old reputation embodied in its discreet, still largely family-owned private banks. These belong to partners, each of whom carries unlimited liability for his bank, which has no obligation to report publicly or to disclose anything whatever about its business.

Not a few of the old private banks have fallen by the wayside but much prestige attaches to the survivors, in particular to the six of the private bankers' association. The largest, Pictet and Lombard, Odier, and now Darier have invested heavily in computerised equipment to enable them to compete for the management of pension and other institutional funds. Only insiders really know but bankers guess that the funds under management by Pictet are betwen SFr40bn and SFr50bn with Lombard, Odier not far behind.

It is essentially to tap and stimulate this traditional Genevan business that other banks, including foreigners, have moved in. A banker like AEB's Bob Smith will say that the Swiss have been slow to exploit the potential and that the newcomers are showing them how to use new financial instruments to expand the market.

One mystery remains. Swiss bankers have complained for years about the federal stamp duty, which also applies to foreign-to-foreign transactions and which, they claim, puts the country at a competitive disadvantage. Yet, the business continues to grow although funds are largely channelled to Luxembourg and off-shore centres.

The answer seems to be that the Swiss label matters. A private account in Switzerland still has prestige and carries guarantees for the private investor. *Institutions seeking to* spread their investments appreciate the country's economic soundness, low inflation and strong currency and, as long as their results continue to beat the averages, they will place funds with banks in Geneva.

There is no sign that the expansion is stopping. Foreign bankers are still moving in. Mr Safra is expected back with his Republic National of New York bank. Computer system and software suppliers say banks are continuing to invest in equipment.

Keeping at the leading edge technologically remains important. The Geneva stock exchange moved into new premises last year and installed computerised trading systems. It is now close to starting a "second market" in the belief that it is called for by the growth in the number of small and medium-sized high-tech companies in Romandie and in the greater region embracing French Savoy, northern Italy and southern Germany.

A *little publicised* fact is the importance of Romandie for international commodity trading. Five of the world's six biggest traders in soft commodities, such as cereals, operate from Geneva and Lausanne. Many big deals for the sale of wheat to the Soviet Union, the Middle and Far East have been negotiated there. Several traders, mostly *like* the private banks still family-owned, have recently expanded their financial units or set up new ones to exploit the financial futures and options markets.

The International Futures and Commodities Institute, established at Carouge just outside Geneva in 1984, trains professionals from all over the world and *carries* out research into finance and commodities. It has developed a computerised training programme for Soffex, the Swiss Options and Financial Futures Exchange, which the Zurich, Geneva and Basle stock exchanges will start next year.

Soffex is one of several signals that the Swiss - a little be*latedly in the view of some for*eign bankers - are set on maintaining Switzerland's place as a vital centre for international finance and are investing in providing locally the instruments and services, for which practitioners on the emerging global market are looking.

THE SIX CANTONS

	Area (sq. km.)	Population (thousands)	National income (S Fr) bn.	National income per capita (S Fr)
Geneva	282	368	14.4	39552
Vaud	3219	555	17.1	31130
Neuchatel	797	157	4.2	27160
Fribourg	1670	195	5.2	26795
Valais	5226	238	5.4	24405
Jura	837	65	1.6	24253
Switzerland	41293	6573	205.4	31441

Industry ranges from hydro-electric plants to watchmaking

Ups and down reflect free market

ROMANDIE's six cantons are making two wagers over industry - that they can stem their seemingly inexorable drift into purely service societies and that they can hitch firmly enough on to new technologies to turn themselves into small silicon valleys.

Amazingly for a small region containing only some 1.5m people, each canton so far fights on its own. They compete with each other in offering tax advantages, which can amount to total exemption from taxes on profits or capital for several years. Cheap industrial land and training facilities are also deployed competitively.

The cantons have a lot going for them - well-educated populations, extremely attractive living conditions for investors, a central location in Europe and, above all, a genuinely entrepreneurial climate. Labour costs are roughly 10 per cent lower than in the admittedly very expensive Swiss German industrial centres.

Success is far from sure, however. In the 15 years or so since the cantons started to resist de-industrialisation, progress has tended to resemble a switchback, albeit in most cases one which mounts towards the goal.

Because a free market prevails, a US company's decision to close down a factory with 250 employees is accepted, although the lost jobs may represent a sizeable chunk of a small canton's work force.

Romandie is home to Switzerland's biggest enterprise, Nestle, at Vevey in the canton of Vaud. By far the greater bulk of the food group's operations are outside Switzerland, however.

Heavy industry in the six cantons has been mainly imported usually in the form of investments by Swiss-German companies seeking access to hydro-electric power.

Valais, the canton embracing the upper valley of the Rhone, is in this respect distinct from the other five in that large-scale industry employs about half its industrial workforce. It produces 10bn kwh of electricity, almost 30 per cent of Switzerland's hydro-electric power. Some 64 per cent is exported.

As far back as the turn of the century Valais attracted investment by big Swiss chemical companies such as Ciba-Geigy and Lonza and by Alusuisse, the aluminium group. Alusuisse, though, is now pulling out and the Valais has joined the other cantons with its own programme for industrial development designed to encourage small and medium-sized units.

Few big manufacturing concerns have been generated locally in Romandie. The biggest native son is Bobst at Prilly, just outside Lausanne, the capital of Vaud. The world's leading producer of machinery for converting paper and cardboard into printed packages, Bobst has a turnover approaching SFr800m ($540m).

Vaud, the most populous of the cantons, also has the most diversified industry and the largest industrial workforce. A big agricultural producer, it contains several food-processing concerns, metallurgical plants and the region's biggest domestic pharmaceutical company in Zyma.

In industry, as in linguistic matters, the Swiss French sometimes argue that they are discriminated against within the Confederation. Federal army procurement deals, such as sub-contracting orders for West German Leopard tanks, go disproportionately to German-speaking parts, they claim.

Much satisfaction was therefore felt when Oerlikon-Buehrle, the country's biggest arms manufacturer, recently set up at Gland in Vaud a plant for developing and building guidance systems for the advanced air defence equipment it has sold to Canada. This was seen as acknowledging Swiss French high-tech abilities.

Romandie's most typical industry for centuries has been watchmaking, established principally along the range of the Jura hills from Geneva through Neutchatel and the present canton of Jura.

Though a few substantially sized companies had emerged, its organisation remained basically artisanal until the 1970s, its reputation for excellence being reflected in the image of the single skilled watchmaker with a lens in one eye.

The trauma for Romandie's industry began from 1973 when the Jura hills felt the impact of the Japanese application of industrial production methods to watchmaking and their exploitation of quartz timekeeping, discovered but not developed by the Swiss.

It has been estimated, counting ancillary occupations, that Neuchatel lost 17,000 jobs while close to half the workforce in the canton of Jura became redundant.

The situation was aggravated by the recession in the late 1970s which also hurt the region's machinery and precision-engineering enterprises. Deserted factories can still be seen in the small towns in the Jura are.

Swiss watchmaking has made a remarkable recovery in the last four years. But this been based on the application of semiconductor technology and the introduction of mass production techniques to the Swatch, the popular plastic watch. The centre of the recovery has been Bienne, a bilingual town outside Romandie proper.

Watchmaking in Romandie has by no means been decimated. Geneva's luxury watchmakers continue to dominate their world market. Rolex has gone on making expensive, chunky 'wrist chronometers' with profit, doubling its working space with a new building in 1981.

One company has successfully made a virtue out of anomaly. Blancpain, which made its first watch in 1735, has turned its back on modern production methods. It has anchored itself to the tradition under which one craftsman can spend up to 10,000 hours making a watch, sews its watch straps by hand and proudly proclaims that it will never use a quartz. It sells every watch it builds.

For the cantons of Neuchatel and Jura, however, the trick has been to diversify and create new jobs. They have mounted what amounts to collective actions by private business and public authorities, the thrust of which has been to develop their potentials in micro-mechanics and micro-electronics.

Neuchatel's progress has been particularly impressive. It claims to have attracted some 150 new enterprises to the canton, of which 40 are industrial, and to have created 3,000 new jobs in the last few years.

In Microelectronic-Marin it now has Switzerland's biggest manufacturer of integrated circuits. Borg Warner is making guidance systems for missiles in the canton, which also is home to DectroSwiss, a joint venture by some of the Swiss multinationals in computer aided design.

Lemmerz, Europe's biggest car wheel manufacturer, has set up a tool and die-making operation. ALP, a company producing electronic dictionaries, has found a home in Neuchatel.

A special advantage for the canton is that it houses both the Swiss Centre of Electronics and Microtechnology and the allied Swiss Foundation for Microtechnology Research, created in 1978 by an agreement between industry and the federal government.

Mr Karl Dobler, Neuchatel's very energetic industry representative, is not afraid of grandiose comparisons. Just as Germany and Japan had to build up their economies after the war, he says, Neuchatel is now "building the economy of tomorrow" under the impact of the structural collapse of its watchmaking and machine industries.

However, in overall industrial employment, it was Fribourg that made the biggest gain between 1975 and 1985.

Industrial exports, it is claimed, now account for almost a third of the canton's gross national income

Finally, too, there seem to be some moves towards concerting cantonal efforts.

William Dullforce

ROMANDIE'S INDUSTRIAL DEVELOPMENT

		Industry	Electrical electronic and optical		Watchmaking and jewelry	
		Number employed	Work sites	Number employed	Work sites	Number employed
Fribourg	1975	17636	41	1857	27	628
	1985	19307	59	2800	18	347
Vaud	1975	51425	277	6580	150	2785
	1985	48256	209	7152	108	2085
Valais	1975	19062	36	1177	28	806
	1985	19456	43	1179	23	608
Neuchatel	1975	31341	138	2949	577	15028
	1985	25317	135	4174	325	7593
Geneva	1975	31793	161	4903	259	4219
	1985	27380	156	4391	224	4171
Jura	1975	12628	23	287	316	6328
	1985	10730	25	663	174	3867

Agriculture and wine

Efficiency brings surplus problems

TRAVELLERS IN Romandie, especially in Vaud and Valais, the two biggest cantons, will be struck by the extent and apparent prosperity of its farms and vineyards. The spectacle, the shaping by human hand of rolling plain, hill and slope below the backdrop of the Alps, is extremely attractive. It also hides a host of paradoxes.

Throughout the region - except latterly in Geneve (one paradox) - the number of people working the land has been in constant decline. Yields have not. Suisse Romande, like Switzerland as a whole, produces surpluses of cereals, meat, dairy products and wine as busily almost as the European Community.

In agriculture as in everything else the Swiss are efficient and well-organised. Their vineyards produce some 77 hectolitres of wine per hectare compared with the 50-55 hectolitres of more reputed wine producers such as France and Italy.

In the plain of the Vaud, where individual farms are larger, cereal yields are among the highest in Europe. The farmers around Gruyere in the canton of Fribourg are extremely businesslike in the production and marketing of their cheeses.

So complicated and varied are the federal financial supports that nobody is quite sure how much these efficient farmers cost the Swiss taxpayers. The usual estimate is between SFr4bn and SFr5bn ($2.6bn and $3.3bn) a year at the national level. It costs SFr1,200 per cow to dispose of the milk surplus.

Taxpayer resistance to these disbursements may be growing. A plan to encourage beet farmers to expand domestic sugar production at the expense of imports was voted down in a referendum last year. An argument in favour of the plan was that it would take some land out of milk and meat production.

But a host of arguments, from national self-sufficiency in vital foods to environmental considerations, are adduced for continuing the federal support and win approval from consumers and taxpayers.

Few Swiss French, for instance, want to do away with direct payments to mountain farmers in the Valais. Their presence near the skiing slopes and summer holiday areas is appreciated.

In 1986 Romandie produced 113m litres of the 135m-litre total Swiss wine harvest with the Valais alone contributing some 70m. For wine the problems are different because federal support is much less, restricted chiefly to helping to finance the surplus stocks and their disposal.

Orsat, the country's second biggest wine wholesaler, had to be rescued from bankruptcy last year, broken by the unsaleable stocks it had accumulated.

Less than 1 per cent of Romandie's wine ouput is exported. Most of the wine has to be drunk young and does not travel and, while the Swiss wine-growers outperform others in quantity, few have found the secret of producing exportable quality. In the Valais no more than 10 per cent of the owners depend wholly on their vineyards for their livelihood.

Under the stimulus of their own associations rules are now being applied to limit output to one kilo of grapes per square metre. Stocks, which at one moment had reached over 100m litres in the Valais alone, have started to decline.

William Dullforce

AGRICULTURE IN ROMANDIE

		Units	Number employed
Fribourg	1975	6,660	12,128
	1985	5,640	10,811
Vaud	1985	8,430	17,545
	1985	7,443	16,293
Valais	1975	10,289	12,120
	1985	9,645	11,683
Neuchatel	1975	1,639	3,412
	1985	1,616	3,406
Geneva	1975	811	2,633
	1985	748	2,805
Jura	1975	1,942	3,451
	1985	1,674	3,164

A region of bookworms

THE SWISS French are avid readers and have been printers for Europe for nearly 500 years. They buy more books than any other European nationality, four times more than the French. Some 43 per cent give reading as their favourite occupation, although this figure may be queried; very few people will admit that their main pastime is watching television. In Romandie an average 25 minutes a day is spent reading the press. The choice is vast. In 1985, 122 newspapers were printed in Switzerland, compared to 114 in 1939. This represents an increase of 134 per cent for a population that has only risen by 53 per cent during the same period.

Part of this development can be explained, yet again, by the diversity of cultures, languages, religions and interests in the country. Many small Romandie valleys have their own newspapers, containing features of purely local interest. And so a close relationship has grown up between readers and their newspaper. So close that newspapers like the Geneva-based French language 'La Suisse' find it nearly impossible to obtain truly regional circulation.

The region has been linked with printing since the Reformation. One of the earliest English editions of the Bible was printed in Geneva; which is why the English use Roman rather than Gothic script today. The first 'Book and Press Fair' held in Geneva in May 1987, paid tribute to this long and prestigious tradition. The Fair attracted 87,000 visitors, and plans for 100,000 in 1988. Sales at the Fair were far beyond the organisers' expectations. One Geneva publisher covered his costs four times over; particularly impressive for books appealing to a minority audience.

For, although there are around 100 publishers in Romandie, producing an average 2,000 books in French annually, they do not really expect to make a profit in Switzerland. Most turn to overseas markets such as France and West Germany, or have other irons in the fire.

Financially, the press fares rather better, attracting 51 per cent of advertising placed throughout the country. 'La Suisse', derives 70 per cent of its revenue from advertising. In a region of low unemployment, the job offers are the most popular pages.

Printing skills and equipment are as sophisticated as regional tastes. Although wages were high, printers remained competitive by investing in advanced equipment, requiring fewer technicians. Most printers learn their trade as apprentices, and are highly skilled operators when their training is finished. Not only are printing techniques amongst the best in the world, but the standards of peripheral activities like typesetting and graphic design are also high. Add to this good distribution networks and it becomes easy to see why the international newspapers are interested in printing their European editions here.

However, all is not as rosy as it seems for Romandie printers. The strong Swiss franc and long waits for deliveries are starting to try the patience of many important clients. Several of the Geneva-based multinational companies are turning to printers in England, Holland and even New York. It seems that prices there are lower, creative talent readily available and deliveries quicker. The Romandie printers may well discover that they are no longer calling the tune and that their historical tradition is threatened.

Lesley Botez

Tourism

Strength of franc holds back growth

IT IS not a secret that Swiss tourism earnings have deteriorated since early 1984. This is due mainly to the continuing strength of the Swiss franc against West European currencies and the decline of the US dollar. By 1986, overnight stays booked by foreigners had decreased significantly while the *strong franc encourages the* Swiss themselves to visit other European countries or even further afield. (It is worth noting that 75 per cent of Swiss taking a holiday go abroad - the highest European figure.)

While the quality of tourism in Romandie remains high in both summer and winter the need is growing to find and exploit *new types of tourism.*

The major problem for mountain resorts is how to attract tourists during the off peak months. Villars, in the Vaud Alps, for example, organised this summer a festival of golf, tennis and music with proceeds going to young artists and sports people.

Each of the Romandie cantons *is affected by the strength* of the Swiss franc in its own way. Geneva and Vaud cater to the business class and have been less affected. They have a bed occupancy 16 times higher than that of the Valais and its ski resorts. Hotel owners here complain of low profit margins, particularly as tourism is so seasonal and staff *now have more time off and fewer working* hours. Many hotels date back to the turn of the century, and are now in need of expensive renovation.

To cope with this, a unique company, Sodeval was set up in January 1986. It is a private company with 30 per cent shares belonging to the state and 70 per cent to private entities such as the *major banks. During 1986,* it invested SFr 36m in renovating 27 establishments, at the request of owners.

Complaints are also voiced about the famous Chalet Parties - particularly in Verbier - which do not have to meet the same standards for staff, cooking, andtraining as local hotels. Although the chalet occupants use the ski *lifts and other equipment*, the system represents a serious rival to the local hotel business.

Most visitors to the Valais are holidaymakers and only Crans-Montana, with its new conference hall, is really able to handle business needs on a large scale.

The Canton of Fribourg also lacks installations to meet the *demand for business conventions.* A project is presently under consideration for a new hall to hold 2,000 people and 1,000-1,500 for banquets. Two new hotels with a total capacity of 200 beds are opening in 1988, to add to the present 800. As a capital, Fribourg has a tradition of congress organisation, although the activity really got off the ground *only some 15 years ago.* Fribourg's tourist trade also includes visitors to its many cultural events and mediaeval specialists visiting the old town.

The Jura, famed for its beautiful countryside, has concentrated on promoting inexpensive, active, open air holidays for indidivudals and families. They come primarily from the *German* and *Italian parts of* Switzerland.

The percentage of Swiss practising a sport at least twice a week has risen from 17 per cent in 1978 to 24 per cent in 1984, according to the Swiss Sports Association, because of the growing trend for physical fitness and a simpler lifestyle. The Jura's Tourist Office has devised *holidays for bicycling, fishing,* riding and walking. This style of holiday could well be in for a minor boom considering that 37 per cent of the Swiss population, aged between 15 to 34, give sports as their favourite pastime, and 23 per cent of the 35 to 54 age group.

The Jura tourist Office, which opened in 1982, has benefited *from the bad experiences of* other regions, like over-construction and too many country cottages. The 65,000 inhabitants of the Jura's 830 sq km are not prepared to let their countryside disappear under a pile of cement.

Medical tourism is of special importance for Romandie. Some SFr895m were spent by *foreigners on medical expenses* in Switzerland during 1986, but some of the famed private clinics in Vaud are now in financial difficulties. Medical tourism *began when August Tissot, one* of the first doctors to refuse tips from grateful patients, set up his Lausanne practice in the mid and late 18th century. His fame spread throughout Europe and soon patients flocked to Lausanne.

In the early 19th century, local spas attracted foreigners to the region - the therapeutic virtues *of the Champel waters in what* is, today, Geneva's smart residential area, were particularly appreciated by Andre Gide and Joseph Conrad.

Lausanne estimates that one third of its tourists originate from medical and teaching fields, one third from business groups and one third are holidaymakers. After the 1986 decline, the Tourist Office reports a satisfactory increase of nearly 5 per cent overnight stays at the end of July, compared to the same period in 1986. Lausanne has 5,000 beds and is able to cater for congresses of 300 to 8,000 participants.

The Vaud capital has a confirmed reputation for quality tourism. Its famous hotel management school, founded in 1893 by hotel director Jacques Tschumi, was the first of its kind in the world, and now it picks and chooses its 475 students from 35 countries.

Lausanne's hotel tradition strongly supports its candidacy for the 1994 Olympic Winter Games. It has ease of access, ample accommodation, an Olympic village, facilities for the mass media, as well as sports facilities. Sentimental reasons are also evoked - after all the International Olympic Committee has been based here since 1915.

Travelling to and from Romandie was simplified in May this year, when the new railway link between Geneva and its airport was inaugurated. Travellers can now check in their baggage at the beginning of their journey and pick it up at their destination. The improved *route, for instance, shortens the* travel time between Geneva and Neuchatel by 28 minutes, by bypassing Lausanne.

Geneva Airport serves the entire region of approximately two million inhabitants, including neighbouring France and Italy and is unique for two reasons.

Firstly, it catered for 5.5 *million passengers in 1986; in other* words, one passenger for every two inhabitants or 14.4 flights for every resident. Secondly, it has no domestic airline, Swissair being based in Zurich.

This has stimulated the airport authorities to promote the catchment area. Concentrating on airlines and tour operators, they have succeeded in adding *six airlines to those operating* from Geneva over the last year. Next on the list are the Japanese whose visits to Switzerland have decreased, although Geneva is still their third most popular European town.

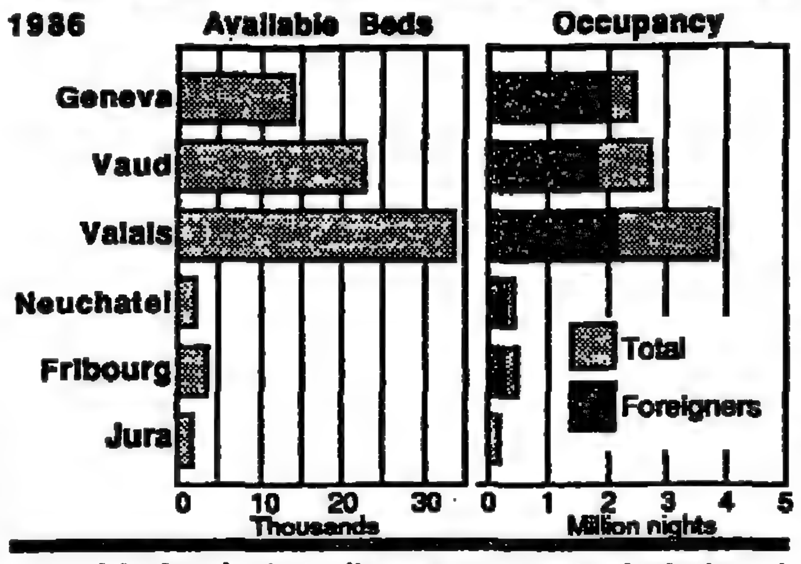
Surveys show that the Japanese are unhappy about the coldness of their reception and feel Geneva does not need to be *seen twice.* By promoting the town as a gateway to Europe, the authorities hope to solve this problem.

The Japanese are not the only nationality to visit Geneva less often. The Hotel du Rhone, one of the 16 five star hotels in the town, reports a decline in occupancy of some 12 per cent since 1985, offset by a dramatic 25 per *cent increase in food and beverage*, banquet and conference services.

The trend is towards shorter business trips, often lasting the space of an all day meeting. The decline in hotel occupancy affects the whole region - from bakers to watchmakers. But, on an optimistic note, figures for September are highly promis in.

Lesley Botez

Hotel accommodation in Romandie



Culture

Festivals to suit all tastes

CULTURAL life in Romandie is booming. Local folklore events are a centuries-old tradition. The region has long been able to attract top international performers to its opera house, concert halls and theatres. Now, far-sighted authorities are beginning to adopt more imaginative policies to cater for the growing interest in less popular art forms.

One of the fruits is Extasis 87, an experimental festival of contemporary music, held last June in Geneva. Aimed at a predominantly young, local audience, the concerts nevertheless attracted many non-Genevese, of whom three quarters *had travelled* to the City especially for it. Curiously, 36 per cent of spectators attended the event alone, for Geneva is often a lonely place for the foreigners and non-Genevese Swiss that make up two thirds of the population.

The astonishingly rich cultural activities, enjoyed by a population slightly smaller than that of Birmingham, is the result of generous public and private spending and the natural diversity of the six cantons. In 1987, the City of Geneva provided some SFr90m (nearly one fifth of its annual budget) to subsidise the arts.

An additional SFr2m was earmarked for the encouragement of new talent outside of the traditional institutions, while the world-renowned Suisse Romande Orchestra received 73 per cent of its 1987 budget from Geneva and a further 3.5 per cent from neighbouring Vaud. Sponsorship is also on the increase; the supermarket Federation of Migros Co-operatives, allocates one per cent of its annual turnover (Sr83m in 1986) to cultural and social activities.

In terms of commerce, a growing interest in fine jewellery and liberal tax laws explain why all three major British auction houses are present in Geneva. With the possibility of a 20 per cent sales tax for EC countries from 1992, Geneva's 6.2 per cent tax (which disappears when objects are exported) is a gift. Once again astute Genevese have taken advantage of a profitable situation.

When Sotheby's began moving major sales from Zurich to Geneva, their sales figures increased by over 100 per cent; SFr52.5m in 1986, but SFr120m for the first two sales of 1987. This, however, included SFr75m for the auction of the Duchess of Windsor's jewellery. Furthermore, the English monopoly of the auction market will be broken when the Swiss firm of Habsburg, Feldman holds its first sales this autumn.

The rumour that the inhabitants of Romandie disappear after nightfall is not altogether true. It often depends on the weather. In the summer of 1986, over 50,000 visitors attended 74 free open air concerts in the city parks. Summer is a time to broaden one's horizons, even for those who choose to remain at home. In July and August, the Genevese are treated to a series of concerts and artistic events representing one country. This year was devoted to an ambitious festival of Indian music, exhibitions and gastronomy.

The Swiss are particularly good at organising festivals. Take for example, the highly successful Montreux Jazz Festival where spectators can enjoy a performance from extremely comfortable seats; even the intermissions are spiced with videos. Another example of Swiss organisation is the outdoor Folk Festival held in Nyon. This high spot of the season for ageing hippies, and other docile folk fans, comes complete with multiple car park facilities and drainage systems, in case of rain. The Swiss think of everything.

But the cultural scoop of 1987 must surely be the move of choreographer Maurice Bejart and his ballet to Lausanne. This places the Vaud capital in the forefront of the ballet scene. Bejart chose Lausanne in preference to other European centres because he feels comfortable in this international town with its traditional appreciation of the dance. It took the authorities a remarkably quick three weeks to offer Bejart a guaranteed SFr2.5m per annum with a further million from private donations.

The Swiss are especially good at organising festivals from top ballet companies to catering for aged hippies

In short, the performing arts are ever popular. The canton of Neuchatel, La-Chaux-de-Fondes, a town of less than 43,000 inhabitants, is now celebrating the 150th anniversary of its theatre, built even before the local hospital. The theatre will host a world premiere in spring 1988, peformed by no less than the Comedie Francaise.

Geneva's most popular "Theatre de Carouge" has seen the number of its season ticket holders rise from 278 for the 1980 season to a startling 8,170 in 1987. The system of season tickets is particularly well adapted to Romandie where theatregoers are creatures of habit, enjoying the security of a guaranteed ticket, well in advance.

There is an almost family atmosphere at certain events where, in true democratic Swiss fashion, spectators are asked to vote. A recent example is the Sunday concerts where music lovers chose between concerts at 10.30 am or 5 pm. Ever considerate of its public, the authorities had suggestsed 10.30 so that Sunday lunch would not be too late. In the event, the afternoons carried the vote, probably because they allow patrons to go ski-ing before the concert.

The arts also flourish in the Valais. Nights spent listening to the apres-ski bore, telling of perilous adventures on the slopes, will soon be replaced by an evening's cultural entertainment in many mountain resorts. Sierre, scene of Europe's second largest cartoon festival, attracted some 32,000 fans this year. Contrary to other cartoon festivals, visitors paid an entrance fee to help provide funds for next year's events.

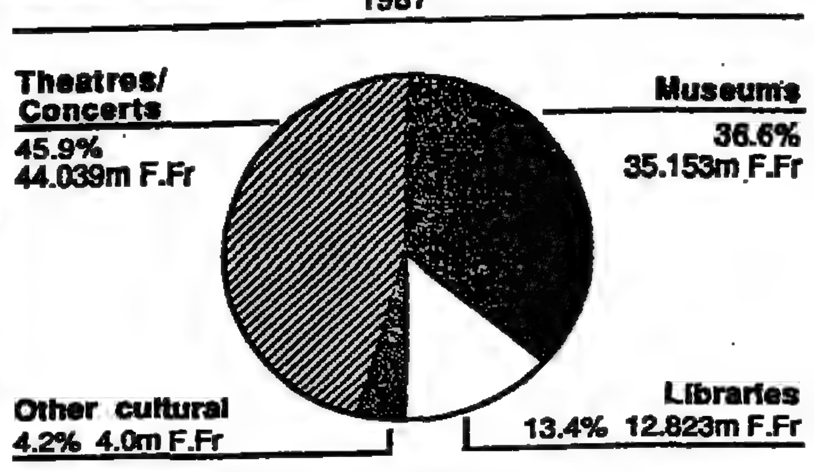
September 1987 saw the first Michel Corboz Festival in his native town of Fribourg. This festival alternates with the Festival for Sacred Music and receives a 20 per cent subsidy from the Swiss Bank Corporation and 20 per cent from the local authorities. Preceding the Festival for Sacred Music, some 200 composers participate in a competition, judged by an international jury which this year includes Harrison Birtwistle.

Fribourg's rich religious musical inheritance springs from its position as seat of the bishopric for all of Catholic Romandie since 1614. Its university boasts an important, international faculty of theology. Fribourg's local authorities are also keen to popularise the contemporary arts to complement their collection of mediaeval art treasures. One such event is the International Triennial Exhibition of Photography, which receives a grant of SFr200,000. With only 40,000 inhabitants, Fribourg has managed to produce and enjoy a menu of summer festivals rich in theatre, dance, classical contemporary music, singing, jazz, rock, and children's theatre.

Although culture in Romandie is often influenced by neighbouring France, it is clear that it also has an identity of its own.

Lesley Botez

City of Geneva cultural budget



APPOINTMENTS

Senior posts at Evered Holdings

EVERED HOLDINGS has made the following appointments. Mr Barry Croucher, associate director - accounting; Mr John Barlow, associate director - taxation; Mr Will Spinney, associate director - treasury. In the construction/quarry products division Mr Keith Harris becomes divisional finance executive; Mr David Alderson, managing director, Eskett Quarries; Mr Jim Tepper, president, Rockville Crushed Stone Inc., US. Mr Vince Crean has been appointed chief executive of the housebuilding division. Mr David Kaye becomes chief executive of the property division. Mr Mel Lloyd has been appointed industrial division financial executive. Mr Mel Hartland has been made divisional chief executive, consumer products; and Mr Paul Rabone, divisional chief executive, metal forming.

*

Mr Tsuneo Murai has been appointed branch general manager for MIDLAND MONTAGU SECURITIES, Tokyo, Midland Bank Group's securities arm in Japan. He was managing director for international equity business at Century Securities.

*

At SKF & DORMER TOOLS (SHEFFIELD) Mr Pat Gildes will retire on December 31, when Mr A.D.Williams will have taken over as director of sales.

*

Mr E.J.Werlidge has been appointed a non-executive director of THE RUGBY GROUP. He is a director of B.A.T.Industries, and chairman and chief executive of its wholly-owned subsidiary, The Wiggins Teape Group.

*

Mr Murray Stuart has been appointed a non-executive director of SAVE & PROSPER GROUP. He is group managing director of Metal Box.

*

Mr Peter Menaghan has been appointed group marketing director of DOLLOND & AITCHISON. He was chief executive of Storecard, credit card arm of the Storehouse Group.

*

KWIK-FIT HOLDINGS has appointed Mr Peter Holmes to the main board as marketing and advertising director. He has been with the company since 1983.

*

Mr Tim Jones has been appointed head of marketing and Mr Barry Smith head of broker sales at SENTINEL LIFE.

*

McCARTHY & STONE has appointed Mr John Dewar as personal director for group services. He joins from B&Q Retail where he was personnel controller. Mr George Wiss has been appointed managing director of Homelife Care, nursing and residential care arm of the group.

*

Mr C.A.Gershinson has been appointed managing director of PALMERSTON INVESTMENT TRUST. Mr M.Fielding becomes non-executive deputy chairman.

*

Mr Peter Bicknell has been appointed managing director of WALTER JUDD PUBLIC RELATIONS. He joins from St.James's Public Relations.

*

D.C.COOK HOLDINGS, Rotherham, has appointed Mr Gerry Hart as senior financial controller to supervise the operations of its national contract hire and leasing division. He was chief accountant of Godfrey Davis Europcar.

Joining Amstrad board

Mr Jose Luis Dominguez and Ms Marrion Vannier have been appointed to the board of AMSTRAD. Mr Dominguez founded Indescomp, Amstrad's Spanish distributor which the company has now acquired and renamed Amstrad Espana. Ms Vannier is chief executive of Amstrad International, the company's wholly-owned French subsidiary.

*

Mr Christopher Fielden and Mr Michael Kettle, members of the Gallaher group executive, have joined the board of GALLAHER.

*

Mr Richard Mackness, company secretary, has joined the board of MTM.

*

Mr Peter Hammond has been appointed chief executive of the RAC MOTOR SPORTS ASSOCIATION. He was managing director of Edman Communication Group's advertising and support division, Eros.

*

HASSALL HOMES WESTERN (previously Millard Homes) has appointed Mr Colin B.Smith as managing director. He joins from Hassall Homes housebuilding division which is part of Raine Industries where he was technical director.

*

Mr John Harben and Mr Tim Spratt have been appointed to the board of BROAD STREET ASSOCIATES PUBLIC RELATIONS. Mr John Stevens has joined the board as director of investor relations. He was a director of Kleinwort Grieveson Securities.

*

MASTERLINE SYSTEMS has appointed Mr David Tegg as managing director.

*

Mr Maxwell Creasey has been appointed chairman of HANOVER PROPERTY UNIT TRUST. Mr Robert Frey and Mrs Sylvia Bowden have joined the board. Mr Creasey is a non-executive director of Associated British Ports Holdings, Grainger Trust, and Haslemere Estates. Mr Froy is the deputy managing director of Lloyds Bank Stockbrokers, and Mrs Bowden is a director of MIM Property Services.

*

Mr Richard Graves and Mr Richard Hawkins have been appointed to the board of SECURICOR INTERNATIONAL. Mr Graves is chairman of Securicor Europe, and Mr Hawkins becomes financial director of Securicor International.

Mr C.M.Wigan has been appointed chairman of SOLENTBURY INVESTMENTS. He joins from City Merchants Bank.

*

Mr Walter Harfield has been appointed a director of HAMWORTHY ENGINEERING, part of the Powell Duffryn Group, and general manager of the pump and compressor division from November 1. He was director and general manager of Hamworthy subsidiary Wiliams and James (Engineers).

*

LEWIS & PEAT HOLDINGS has made the following changes in its subsidiary Wilson, Smithett & Cope. Mr R.C.Watts becomes managing director; Mr L.Cope remains on the board as a non-executive director; Mr C.A.J.Bloggs, Mr D.L.Cowley, Mr D.Feasby and Mr D.Landais have been appointed directors. Mr W.H.Phillips, formerly managing director, will be joining the board Wilson, Smithett & Cope (Sugar), and Galban Lobo (England). He is taking up wider responsibilities within the group and will become an adviser to the chief executive for the international development of Lewis & Peat's coffee and cocoa business. Mr J.F.J.Wheeler has become group financial director.

*

CENTRAL AND CITY PROPERTIES has appointed Mr Andrew Cales to the newly-created post of finance director. He was finance director of Solaglas UK construction division.

*

Mr Stephen East, deputy treasurer, has been appointed group treasurer of REDLAND from December 1, following the resignation of Mr Gareth Jones who is joining the board of FIRST MORTGAGE SECURITIES as an executive director with responsibility for treasury activities. FMS was set up earlier this year by Morgan Grenfell and Co., Bank of Scotland, GEC Financial Holdings, and F. & C.Enterprise Trust to develop a residential mortgage lending business in the UK, funded initially in the wholesale money markets and later through securitisation.

*

Mr Mark Smith, formerly managing director of Homequity, has joined the personal banking operations of KLEINWORT BENSON.

*

Mr Roger Hymas will be joining the BURTON GROUP this month as managing director of Nationwide Credit Corporation, taking over from Mr Colin Harrison who has left the company. Mr Hymas is vice-president and general manager of the financial services division of American Express UK.

*

The law firm NABARRO NATHANSON has appointed Dr John Hooper to the new post of chief executive, responsible for the direction and management of all support services. He joins from the Chartered Institute of Building, where he was chief executive.

Gateway marketing director

THE DEE CORPORATION has made the following appointments to the Gateway board. Mr Ian Wolsey becomes marketing director. He was with Haymarket Management Consultants. Mr Bob Willett has joined the board as non-food director. He was operations director of Owen Owen. Following these changes, Mr David Fisher, who became joint managing director of Gateway at the time of integration with Carrefour, will take up broader responsibilities with The Dee Corporation as group marketing director, based in Milton Keynes.

MANAGEMENT

Do headquarters earn their keep?

Michael Skapinker on the ways companies control subsidiaries

WHAT IS corporate head office for? Does it add anything to a large diversified company other than overheads? Wouldn't the individual businesses that make up large groups often be better off on their own?

And if a business is to become part of a major group, what kind of group should it be? This issue was hotly debated, for example, during the battle between Hanson Trust and United Biscuits for control of the Imperial Group. Hanson and UB have markedly different views on how to deal with their subsidiaries.

Sir Hector Laing, UB's chairman, takes a long-term view of business success. "I believe it takes about eight years to build a business," he says. "If things are going wrong you identify with the management and help them out. At these times control should get more friendly, not more fierce."

Hanson, on the other hand, sets its managers demanding financial targets and expects them to meet them. It does not give its businesses eight years to get things right. "All of our businesses are for sale, all of the time. If we think we can get more for them than they are worth to us, we will sell," says a senior Hanson manager.

The relationship between the corporate whole and its various parts is a subject which Michael Goold and Andrew Campbell, both of the London Business School, have been researching for the past three years.

Goold and Campbell looked at the management of 16 large UK companies, including British Petroleum, Courtaulds, ICI, BTR, GEC and Hanson. They have now produced a book* due to be published later this year.

The way in which these large groups are run is more pertinent than ever, they argue. In the past 35 years, diversified corporations have greatly increased their hold over the UK economy.

In 1950, 75 per cent of the 200 largest companies in Britian derived their sales from a single business. By the mid-1980s only 35 per cent of large firms concentrated on a single business.

And yet, when Goold and Campbell asked managers at each of their 16 companies how they managed their constituent businesses, they found wide variations. Some senior managers believed that corporate headquarters should be deeply involved in planning the detailed strategy of each individual business. Others said that although corporate headquarters made suggestions, the business level managers knew their job best and should be allowed to get on with it - as long as they reached the targets set for them.

Despite the variety of approaches, Goold and Campbell found that the styles of the companies fell into three broad categories.

Lower level

● Strategic Planning companies. These included BP, BOC, Cadbury Schweppes, Lex, STC and United Biscuits. Their senior managers believe that they should be closely involved in the formulation of their business units' strategies rather than leaving them to lower level managers. "Down at the business level there are two or three decisions each decade that make or break a business," a senior executive of one of the companies said. "Do you really want to leave the business manager alone to make these?"

The Strategic Planning companies set their individual businesses targets to reach, but they tend to be more understanding if, for reasons beyond their control, their managers find themselves unable to meet them. Corporate headquarters is more interested in whether the businesses are moving in the right direction long-term. For example, are they winning greater market share? Are they fulfilling the company's long-term goal of becoming more active in the United States?

● Financial Control companies. These are companies such as Hanson Trust, BTR, Ferranti, GEC and Tarmac. There are differences between these organisations, but their central headquarters staff tends to be small and their central managements are not involved in detailed planning with the business units. The business units themselves have less interaction with one another.

Managers are given financial, rather than strategic, targets to meet. The focus is short-term, usually 12 months. Managers are taught to concentrate on annual results rather than some nebulous long-term goal. Jim Earle, a manager at Tarmac, told Goold and Campbell that "the danger is that managers have their eyes on the horizon when there are potholes in the road ahead."

The writers asked Malcolm Bates of GEC how many years a manager could fail to meet his budget before he lost his job. They recall that "his response was telling and only partly tongue-in-cheek: 'How many years? You mean how many months. He might last for six months or he might not.'"

● Strategic Control companies. This third group includes Courtaulds, ICI, the Imperial Group, Plessey and Vickers. Strategic Control companies fall somewhere between the two categories described above.

Their corporate head office is involved in helping the business units draw up their strategies but expects them to do more of the work themselves. The task of central management is to audit the quality of thinking in the business units rather than to set them particular tasks.

Sir Christopher Hogg, chairman of Courtaulds describes the role of the centre as that of a "detached but sympathetic and knowledgeable 100 per cent shareholder. At the centre our role is to enforce quality standards in strategic thinking and we have a role in helping educate and develop managers."

Strategic Control companies attempt to balance long-term and short-term objectives, setting their managers annual financial targets as well as strategic goals such as launching a new product or improving customer service.

When Goold and Campbell embarked on their research they hoped to be able to say which of these three styles was most effective. Life, predictably, is not as simple as that. Each of the styles has its advantages and disadvantages.

The Strategic Planning companies Goold and Campbell studied have been consistently profitable in recent years. They have also shown impressive levels of organic growth.

Their planning process, however, takes up a lot of central management time. Managers at the business unit level are also occasionally frustrated by not being allowed to follow their own instincts.

Financial control companies have produced an even better financial performance than Strategic Planning companies. But companies like Hanson and BTR concentrate on growth by acquisition and the organic growth of companies in the Financial Control group has been weak.

Goold and Campbell point out, too, that setting strict financial targets sometimes leads to managers being unwilling to take risks for fear that their business might deteriorate in the short-term.

Strategic Control companies have also performed well, but their attempt to set their managers a mix of financial and strategic goals has not been successful. The short-term financial goals are more specific and tend to take precedence.

So if all three styles have both advantages and disadvantages, does it really matter which strategy diversified corporations follow? Yes it does, Goold and Campbell say. "Once the style is set, the effective strategy options begin to narrow down."

For example, the larger the number and range of separate businesses in a company's portfolio, the more difficult it is for the centre to understand them all and participate in establishing their strategies. Groups of this sort are probably better off adopting the Financial Control rather than the Strategic Planning style.

The competitive environment the company operates in is also important. Where a market is very open with a large number of new entrants - such as UB's fast foods business in the UK - the centre needs to encourage the building of a competitive product. Strict financial controls would probably be inappropriate here.

By their own admission, Goold and Campbell leave some important questions unanswered. For example, are the drawbacks in each of the categories the result of factors peculiar to British managers rather than being inherent in the styles themselves? How does the Japanese company Matsushita manage to impose strict financial controls on its managers while still managing to grow organically and to engineer strategic shifts directed from the centre?

There is a chapter on successful Japanese and American comanies, but the material is drawn from information published elsewhere and the chapter is somewhat disappointing.

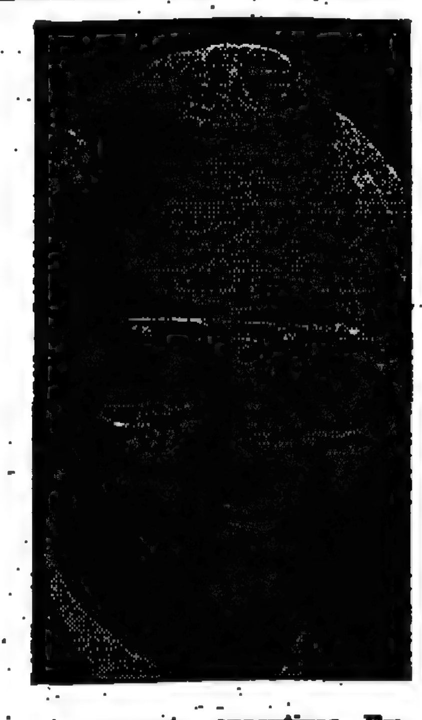
"The temptation, when you have done the amount of research Goold and Campbell have done, is to throw so much of what you have learned into your book that it ends up being a lot longer than it need have been. It is a temptation to which they have succumbed. But there is a wealth of thought-provoking material, and it is difficult to imagine that there is a manager - or, indeed, an interested general reader - who will not find something of value here.

* *Strategies and Styles will be published on November 5 by Basil Blackwell. £29.50.*

Alcohol and accidents

INSIDE EDGE

Peter Bensinger tells Michael Skapinker why UK employers should not be complacent about drink and drug-related problems



DURING THE 5½ years that Peter Bensinger ran the US Drug Enforcement Administration, four of his employees were murdered. "It's dangerous work, really dangerous," he says. "You're dealing with people to whom the value of life means nothing."

As the mastermind of America's war on the drug traffickers, Bensinger had his share of death threats too. But it was his 2,090 agents, most of them working under cover, whose lives were really on the line.

"The people the drug dealers are afraid of are the ones who could put them in a federal penitentiary. I didn't see them selling the junk. The agent who does is the one in danger," he says.

Bensinger served as America's top drugs enforcement officer under three Presidents: Gerald Ford, Jimmy Carter and Ronald Reagan. Since he left the agency in 1981 he has been selling his expertise to the private sector as a Chicago-based consultant on drug and alcohol abuse.

He is spending this week in Britain where he has been invited to address two conferences. He is using the opportunity to assess UK demand for his services. "From what I can tell from my contact with your hospitals and police, there has not been a comprehensive effort against drugs here," he says.

Consultancy is the latest turn in a varied career, amply rewarded by, among other things, an honorary life membership of the National Sheriffs Association, an honorary Doctor of Law degree from Dankook University in Seoul and a Distinguished Service Medal from the government of Peru.

Bensinger started off as a manager with the Brunswick Corporation, a diversified US manufacturer, working in England, Germany and Chicago. After volunteering to serve on a state government taskforce, he was asked, in 1970, to become director of the Illinois Department of Corrections, with direct responsibility for all the state's prisons.

It was a far more dangerous job than being head of the drugs administration, he says. "There you were, dealing with people, some of them mentally unbalanced, who, when they left prison, might want to take criminal retribution against the director who denied them quick release or who authorised lock-ups."

During his period of running the jails, he improved the pay and training of prison staff and worked on finding meaningful employment for convicts after their release. Recidivism began to fall, he says. The directors of the other state prison systems elected him President of the Association of State Correctional Administrators. "It sounds immodest to say so, but I became a national figure in corrections in the early 1970s."

When, in 1976, he was appointed head of the Drugs Enforcement Administration, heroin was the major American drugs problem. Cocaine was not yet widely used. With the co-operation of the Mexican government, which destroyed thousands of poppy and marijuana fields, heroin imports began to fall.

But as long as drug users believe they can escape detection, he says, there will be growers and traffickers to supply them. He remembers flying over Colombia in a helicopter and seeing over 100 illegal airstrips for planes to pick up marijuana and cocaine destined for the US.

For one whose work has brought him face-to-face with so much ugliness, the bespectacled Bensinger is unexpectedly mild-mannered. But, wearing his drug consultant's hat, he reels off statistics designed to rattle even the most complacent of corporate executives. Employees with drug and alcohol problems are three to four times more likely to have on-the-job accidents and 2.5 times more likely to be absent from work. They will probably be 25 to 33 per cent less productive, he says.

In the US, he concedes, the number of regular users of marijuana has now gone down. Today there are 18m Americans who smoke marijuana once a month, compared with 22m in 1985. But the marijuana being sold in America is eight to ten times more potent than the weed available ten years ago, he says.

At the same time there has been a dramatic increase in the use of cocaine. There are now 6m users in the US, he says, compared with 4m two years ago. America had 1,470 cocaine-related deaths last year. In 1976 there were 70.

Cocaine has become much cheaper on both sides of the Atlantic, he says. So has "crack", the purified cocaine which reaches the brain in three seconds. "You don't have to be a jet-setter or a movie star or a business tycoon to afford it. You can start using it on an ordinary paycheck. You can't sustain it, but you can start it."

But isn't there an element of hysteria to the current US campaign against drugs at work? Should British employers really be testing all their employees to see whether any of them has smoked a joint recently? Well, it is quite true that alcohol is a far more serious British problem than drugs, Bensinger says. But then alcohol is a more serious problem in the US too.

The point is, he says, that British employers still have a chance to avoid a drugs problem on the scale of America's. "If the UK follows the pattern of the US it will be most unfortunate."

Arts Week

F	S	Su	M	Tu	W	Th
2	3	4	5	6	7	8

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliotheque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliotheque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siécle style under *Louis XIV, from Boucher's pastel*-hued *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothéque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which be saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the *18th century. Grand Palais. Ends* Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou – like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (4299 1616). Ends Nov 14.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmantastraße 14–16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. The show will be in Bonn until October 18 and then to Munich (Staatsgalerie moderner Kunst, Nov 5–Jan 3) and Mannheim (Stadtische Kunsthalle, Jan 23–Feb 21).

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber *of Sennefer, the former mayor of* antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 20.

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), Athla and Athletics in Classical Greece at the Palazzo dei Conservatori at the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, *while the second, at the Museo della* Civilta Romana (Piazza G Agnelli 10, Eur-Rome), entitled Sport in Antiquity recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeons' and obstretricians' tools, weights and meansures and scale models of bridges, viaducts etc.). Ends October 25.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs *of his first Self-Destructing Sculp*ture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Cremona: Masterpieces by Antonio Stradivari: In honour of the greatest violin-maker ever, who died 250 years ago aged 93. About 50 instruments are on show including one of the ten surviving inlaid instruments – a violin outlined front and back with a delicate frieze of ivory squares and diamonds and a harp, a violin and a wooden violin case covered with leather and studded with nails forming an elaborate pattern on the lid. The exhibition has been organised by Charles Beare in collaboration with the Italian architect Gae Aulenti to coincide with the Cremona Music Festival at which Stradivari instruments will be played. Ends Oct 7.

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies" 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, Stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Beuys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: "Ouka Lele 1977-1987". A retrospective of Madrid's "movida," photographer with her colouring effects, shows her latest controversial piece "cibeles" requested by Madrid's town hall, halting the capital *city's main square* and causing a tremendous traffic jam last summer. Museo Espanol de Arte Contemporaneo, Avda Juan de Herrera. Ends Nov 3.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

Madrid: "Mies van der Rohe". 150 drawings by the architect to commemorate his birth was prepared by the Art Institute of Chicago and shown in Frankfurt and Paris last. Sala Mopu, Nuevos Ministerios. Ends Nov 1.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificient demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1980 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the *American heartland* of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 40 paintings and four painted constructions. Ends Oct. 18.

TOKYO

Buddhist Art from Thailand: 155 works, mainly sculptures in stone, bronze and clay comprise this major exhibition of Thai art – the first on such a scale outside Thailand. The pieces, from 2,000 BC to the 19th century, represent the main period of Thailand's history. Tokyo National Museum, Ueno Park. Ends Oct 4.

European Nature in 18th Century Japanese Art. This exhibition is of Japanese art inspired by Dutch manuals imported into Japan in the early 18th century after the Japanese Government lifted its 200-year-old ban on foreign materials. The 160 paintings and sketches of European flora, fauna and people throw some more light on the Japanese phenomenon – information-hungry and seeking to catch up with the West from the first slight opening of the door to the outside world in 1720. Suntory Museum of Art, Akasakamitsuke. Ends October 25. Closed Mondays.

Rosanjin Kitaoji Ceramics: With Shoji Hamada this potter is recognised as one of Japan's important potters working in the folk tradition – benefitting from the influence of England's Bernard Leach. There are 150 interesting works and the design of this modern new museum and its parksetting are noteworthy. Setagaya Art Museum. Ends October 18. Closed Mondays.

Opera and Ballet

WEST GERMANY

Berlin. Deutsche Oper: Oedipus, specially composed for the Berlin Opera by Wolfgang Rihm, and produced by Götz Friedrich, will have its world premiere this week, with Andreas Schmidt leading the cast. The Munich Bayerische Staatsoper is giving a guest performance of Cadillac, a Ponnelle production with Maria de Francesca, Doris Soffel and Donald McIntyre. To round off the week Margaret Price is giving a lieder recital, accompanied by Wolfgang Sawallisch, of songs by Mozart, Schubert, Mahler and Strauss.

Hamburg. Staatsoper: Der Rosenkavalier stars Lucia Popp, Hildegard Hartwig, Heseon Kwon and Kurt Moll, and Die Meistersinger von Nürnberg Helen Donath, Bernd Weikl and Kurt Rydl. The Nutcracker, choreographed by John Neumeier, returns to the repertory.

LONDON

English National Opera, Coliseum: The Pearl Fishers, an opera in which beautiful music makes good a weak story, has been well cast – Valerie Masterson, Adrian Martin, and Sergey Leiferkus make a very strong principal trio, and Charles Mackerras a superb conductor; the production and designs by Philip Prowse are a failure, but not a da*maging one. Further performances* of Sondheim's Pacific Overtures – despite flaws and production clumsinesses, a valuable addition to the repertory. Reviewed this week is the ENO production of Werther from 1977, with Arthur Davies and Ann Murray new in the leading roles.

Sadler's Wells, Rosebery Avenue: The Thai Dancers here (until October 10) is the only dancing in London this week.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Dans Theater with Perspetivo, a new full-length ballet by Jiri Kylian to music by Berio (Tue). Premiere of the Netherlands Opera production of Verdi's Don Carlos directed by Alberto Fassini to the mise-en-scéne by Luchino Visconti. *Hartmut Haenchen* conducts the Netherlands Philharmonic, with Neil Rosenshein in the title role with Susan Marie Pierson, Harry Peeters and Mimi Lerner (Thur). (255 455).

ITALY

Florence: Teatro Comunale: Piero Faggiano's new production of Mussorgsky's Boris Godunov, sung in the original Russian, with Italian sub-titles. The cast includes Lucia Valentini Terrani, Walter Donati, Stafford Dean, Robert Lloyd and Dimiter Petkov, conducted by Myung-Whun Chung (Sun, Tue, Thur). (277 9236).

Bologna: Teatro Communale: Puccini's Tosca conducted by Gianluigi Gelmetti and directed by Giancarlo Gobelli, with Raina Kabaivanska, Silvano Carroli and Nicola Martinucci (Sat). (52 9999).

PARIS

Stephen Petronio dances in the framework of the Festival d'Automne at the Centre Georges Pompidou (4277 1233).

Swan Lake in Rudolf Nureyev's choreography conducted by Ashley Lawrence/Michel Queval with Isabelle Guerin/Elisabeth Maurin/Sylvie Guillem/Elisabeth Platel and Clotilde Vayer alternating in the role of Odette/Odile and Laurent Hilaire, Rudolf Nureyev, Charles Jude, Jean-Yves Lormeau and Manuel Legris in that of Siegfried. Paris Opera (4742 5750).

Puccini's Il Trittico; Opera Comique (4742 5371).

NEW YORK

Metropolitan Opera (Opera House): The week features L'Elisir d'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Schexnayder; Otello, conducted by James Levine in Franco Zeffirelli's production with Kiri Te Kanawa and Placido Domingo; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conductor James Levine in Bodo Igesz production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

WASHINGTON

Houston Ballet (Opera House). Mixed programmes in the week long visit include Etudes, Robdin and Bartok Concerto. Ends Oct 11. Kennedy Center (254 3770).

Theatre

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus *numbers.* (757 2626).

WASHINGTON

Breaking the Code (Eisenhower: Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670).

Red Noses (Goodman): The American premiere of Peter Barnes' medieval vandeville comedy pits Father Flote (Ivar Brogger) against the plaque with his remedy of humour. Ends Oct 31. (443 3800).

Cabaret (Opera House): Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct. 3. Kennedy Center (254 3770).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Noh by Torchlight (takagi Noh). Ideal for the lovely cool autumn evenings, this threatre by firelight offers a rare chance to experience Noh in its original outdoor setting. The effect of strategically placed fire caskets around the darkened stage is perfect for its other-worldly atmosphere. Yoroboshi is about a reconciliation between a father and his banished son who becomes a beggar-priest, and is followed by the kyogen comic piece, Tsuto Yamabush. The pocket books A Guide to Noh and Guide to Kyogen (available at hotel bookshops), give the plots. Hibiya City Plaza, near Ginza. (Thur). (237 9999; 595 0295).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Ex*change. Hot and livid, but new cast* deemed less good. (836 3028, CC 379 6565).

Continued on Page 25

Just because you're small, it doesn't mean you can't be powerful.

1. **Mighty Mouse.**

If you thought this first section was going to be a regurgitation of that old chestnut about mice terrifying elephants, you can relax. As it happens, elephants do tend to be afraid that rodents might run up their trunks — but it is highly likely that the humble mouse once played a far more significant role in the history of the world.

Various theories have been put forward to explain why the dinosaurs died out 65 million years ago, such as: raids by hunters in flying saucers; a lack of room in Noah's Ark; a lemming-like mass suicide by all species everywhere at the same time; and even 'Paleoweltschmerz' (i.e. the dinosaurs became so disillusioned with their world that they died of sheer boredom).

However, a somewhat more plausible reason for their extinction is that small shrew-like mammals ate their eggs.

Being warm-blooded animals, the 'mice' were able to pursue a nocturnal way of life, whereas the cold-blooded dinosaurs, whose body temperatures depended on the outside environment, could not. The rodents could therefore have devoured their unguarded eggs with impunity, depleting their numbers until they died out completely.

2. **Tiny trots.**

There are many more examples of small but powerful creatures in the modern animal world. In relation to its size, an ordinary house spider can run eight times faster than Ben Johnson. A flea can jump 130 times its own height. An ant can pull a load 300 times its own weight.

Yet perhaps the most impressive example is that of the Falabella horse.

Derived by crossing Shetland ponies with small English Thoroughbreds, Falabellas stand only 24 inches high. However, they run so fast that, over a short distance, they can beat a full-sized racehorse. For their size, they can leap far higher than the leading showjumpers and they are also exceptionally hardy.

These qualities are shared to varying degrees by other miniature breeds. A Shetland has been known to carry a twelve-stone man for forty miles in one day, while a twelve-inch high golden foal recently survived falling down a steep fifteen-foot bank shortly after being born. (Why this foal should then have been called 'Lucky' is a mystery.)

3. **The lowest of the low.**

The twentieth century has certainly had its share of small and belligerent men — Hitler, Mussolini and Alan Ladd to name but three.

However, the person who has come the closest to being a twelve-inch ruler is Attila the Hun. He is thought to have been a dwarf.

Also known as 'the scourge of God', Attila was king of the Huns from 434 to 453. For a time he ruled jointly with his elder brother Bleda (who was actually quite a big Bleda by comparison), but he found this rather tiresome and he murdered him in 445.

His hordes then massacred, looted and burned their way across eastern Europe and finally assailed the Roman Empire. He was defeated once — in Gaul in 451 — but he promptly invaded northern Italy and occupied the imperial palace in Milan, where he had all the paintings altered to show the Roman emperor kneeling at his feet instead of vice versa.

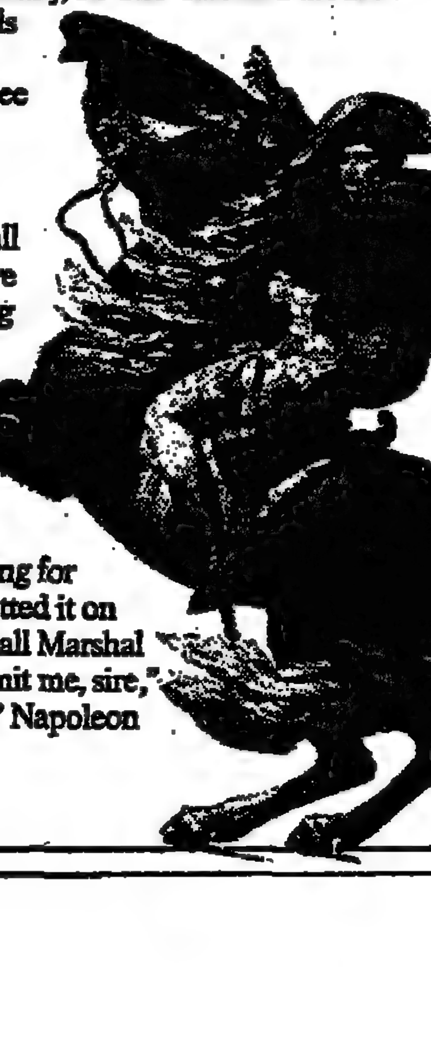
Attila died two years later while making love. It is possible that his diminutive stature contributed to his demise — but history unfortunately does not record whether or not he was standing on a box and fell off.

4. **Le petit caporal.**

No one had as great an effect on Europe again until Napoleon Bonaparte came to prominence at the end of the eighteenth century.

In 1795, at the age of 25, he was in charge of the French army of the interior. He then led the French forces in Italy to brilliant victories over the Austrians, became First Consul for life in 1802, set up what was effectively a military dictatorship and had himself crowned Emperor in 1804.

In defeating the Austrians, incidentally, he also defeated the hero of our first section. The Austrian generals became so desperate that they inked a mouse's feet and placed it on a map to see if it would trace out a path to victory. It didn't.



Yet without his wellingtons on, Napoleon was only five feet six inches tall himself. It is true that he looks impressive in our picture, which shows him crossing the Alps in 1800, but this is a highly idealized portrait. (For one thing, he actually crossed on a mule.)

He was certainly very sensitive about his height. On one occasion, he was searching for a book in his library when he finally spotted it on the top shelf, well out of his reach. The tall Marshal Moncey dutifully stepped forward. "Permit me, sire," he said. "I am higher than Your Majesty." Napoleon was not pleased. "No, Marshal, you are longer," he snapped.

Eventually, of course, Napoleon's reign came to an end, with one of the earliest stages in his downfall being the series of defeats suffered by his fleet at the hands of Lord Nelson — who was only five feet two. No wonder both men wore such large hats.

5. **We are not very big.**

Queen Victoria, sovereign of the United Kingdom from 1837 and Empress of India from 1876, constantly lamented the fact that she was less than five feet tall.

Strangely, her Uncle Leopold seemed to think that she had the power to rectify this if she wished. "I have not been able to ascertain whether you have grown taller lately", he wrote. "I must recommend it strongly".

Victoria did wield considerable political power, however. In 1839, she forced the Prime Minister, Sir Robert Peel, to resign and later dismissed the Foreign Secretary, Lord Palmerston, for committing the unforgivable sin of taking action without consulting her first.

Her close involvement with policy-making and her desire to have her own way sometimes overstepped the proper bounds of a constitutional monarchy, particularly when William Gladstone was Prime Minister. "Others but herself may submit to his democratic rule, but not the Queen," she wrote after yet another disagreement.

Yet when the longest reign in British history finally came to an end in 1901, the shortest monarch had restored both dignity and popularity to a crown whose future had looked decidedly precarious at the time of her accession.

"Will she be happy in heaven?" wondered a member of the royal household. "I don't know", replied Edward VII. "She will have to walk behind the angels — and she won't like that".

6. **Not short of words.**

Even Queen Victoria was taller than the eighteenth-century poet Alexander Pope. He was only four feet six inches tall as a result of tuberculosis of the bone and a severely-curved spine.

Despite these handicaps, he dominated the London literary scene for almost thirty years — partly on the strength of his sheer talent (his fame was assured at the age of 23 with his 'Essay on Criticism' (1711)), and partly through his stinging attacks on his contemporaries which earned him the nickname 'The Wicked Wasp of Twickenham.'

His verbal assault on Lord Hervey in the 'Epistle to Dr Arbuthnot' (1735) is a fine example:

> "Yet let me flap this bug with gilded wings,
> This painted child of dirt, that stinks and stings..."

He clearly relished the power that such scathing wit brought him:

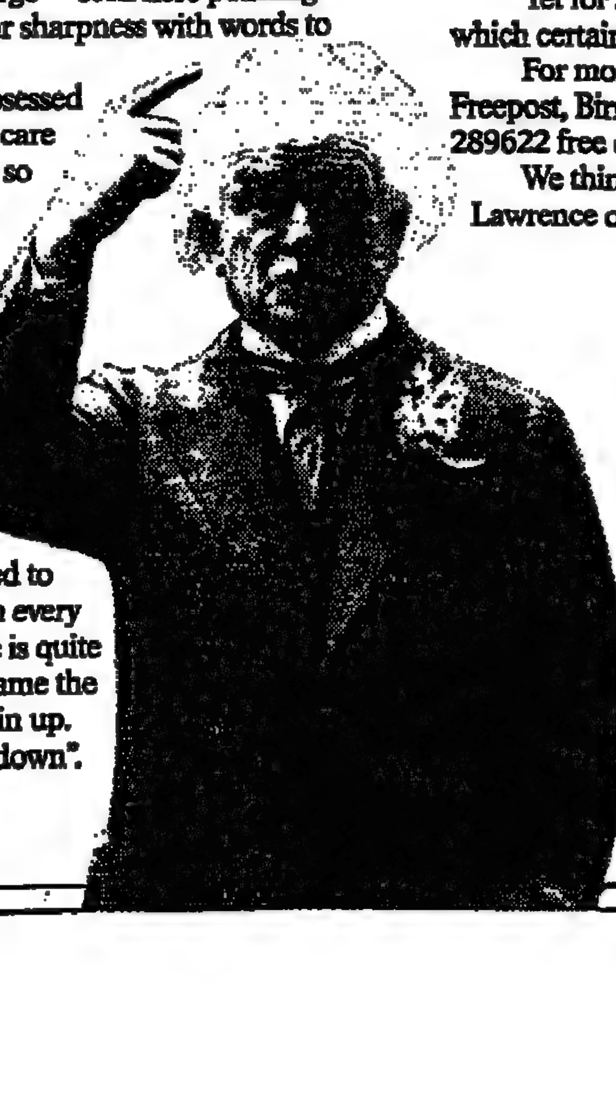
> "Yes, I am proud; and must be proud, to see
> Men not afraid of God afraid of me".

Another writer of the day, William Broome, did suggest that it was Pope's size that stopped many people from fighting back: "His littleness is his protection; no man shoots a wren." But others probably realised that the Wasp was at his most wicked when anyone attacked him, as illustrated by the following composition addressed to a lady who had dared to mock his size:

> "You know where you did despise
> (Tother day) my little Eyes,
> Little Legs, and little Thighs,
> And some things, of little Size,
> You know where.
> You, tis true, have fine black eyes,
> Taper Legs and tempting Thighs,
> Yet what more than all we prize
> Is a Thing of little Size,
> You know where".

7. **The Prime Miniature.**

Two centuries later, David Lloyd George — seen here pointing out his missing inches — was using a similar sharpness with words to achieve power.



It has been argued that he was too obsessed with power for its own sake — "He did not care in which direction the car was travelling, so long as he remained in the driver's seat" (Lord Beaverbrook) — yet the facts remain that he led Britain to victory in the First World War and laid the foundations of the modern welfare state.

Like Pope, Lloyd George once had occasion to cut down someone who made a remark about his size. The chairman of a meeting introduced him thus: "I had expected to find Mr Lloyd George a big man in every sense, but you see for yourselves he is quite small in stature." "In North Wales," came the reply, "we measure a man from his chin up. You evidently measure from his chin down".

Margot Asquith said of him that "he could not see a belt without hitting below it". This was presumably because he could not see much higher.

8. **The pocket battleship of the desert.**

Another small Welshman also played a leading role in the Great War, namely T. E. Lawrence or 'Lawrence of Arabia.' (He actually measured less than five feet six inches, but this tends to be obscured by the fact that the tall Peter O'Toole played him in the David Lean film.)

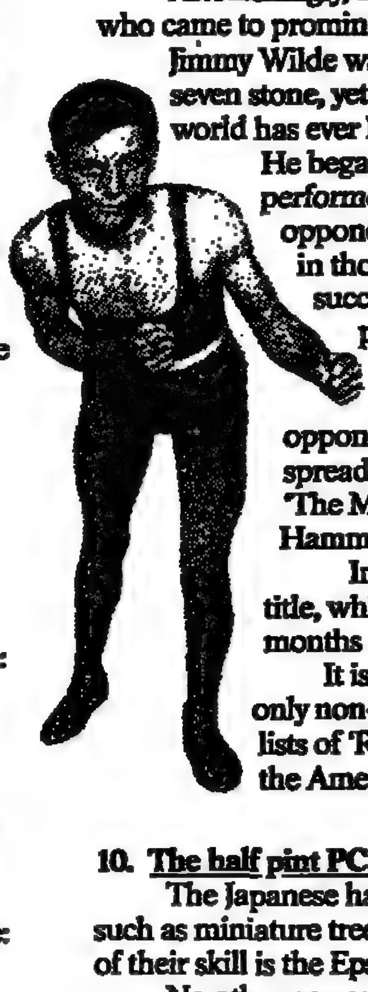
After joining the Arab army in 1916, the archaeological scholar soon became its chief organising and motivating force. He ran a guerrilla operation against the Turks, blowing up numerous bridges and trains, and in 1917 he captured Aqaba after a 600-mile march.

Further successful actions followed, and when Lawrence returned to Britain as a colonel in 1918, he was awarded the DSO and the Order of the Bath — though he declined both honours as a protest against the breaking of promises made to the Arabs. He then became a close friend and adviser of Winston Churchill, who described him as "one of the greatest beings of our time".

It should be noted, however, that Lawrence's character was full of contradictions — one of which was the need to subject himself to the power of others on occasions. For this reason, he went on to join the lowly ranks of the RAF and the Royal Tank Corps under assumed names — and also paid an admirer to whip him regularly on the buttocks.

9. **The Mighty Atom.**

Astonishingly, there was a third small but powerful Welshman who came to prominence at this time.



Jimmy Wilde was only five feet two inches tall and weighed just seven stone, yet he was one of the greatest fighters the boxing world has ever known.

He began his career in a fairground booth, where he once performed the incredible feat of knocking over 23 opponents within four hours. All 700 of his challengers in those early days were far heavier than him, but all succumbed to his phenomenal speed and punching power.

Even when he turned professional, Wilde was still conceding as much as two stone to his opponents — but he kept on flattening them. His fame spread, and soon he was known everywhere not only as 'The Mighty Atom', but also as 'The Ghost with the Hammer in his Hands.'

In 1916, at the age of 23, he won the world flyweight title, which he then retained for seven years and four months — a record unequalled to this day.

It is a further mark of Wilde's greatness that he is the only non-American to be rated No. 1 in the 'All-time Greats' lists of 'Ring' magazine — and in 1959 he was elected to the American Hall of Fame.

10. **The half pint PC with the ten-gallon memory.**

The Japanese have always been good at producing small things, such as miniature trees and Japanese children, and the latest example of their skill is the Epson PC AX2.

No other personal computer packs as much power into as small a space. It would cover only about two-thirds of this page — yet it boasts a 640K random access memory, 20 megabytes of hard disk storage and a 1.2Mb floppy disk drive.

Furthermore, it runs faster than a Falabella, with processing speeds of 10 and 8MHz.

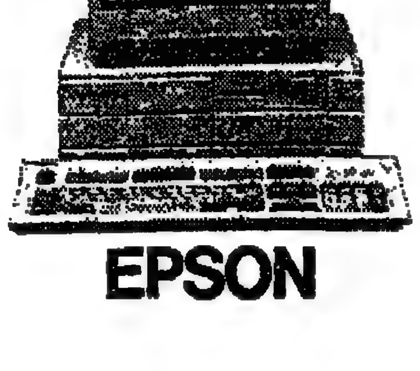
The PC AX2 is fully PC- and AT-compatible. It comes ready to work with any type of monitor and graphics software that you choose, and it can be expanded almost without limit — so there is no danger of it ever becoming extinct.

As you would expect of an Epson, it is so reliable that it could almost be compared to Queen Victoria for longevity.

Yet for all this, the PC AX2 costs only £1699 (RRP exc. VAT), which certainly won't leave you short.

For more information, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel *280#; or ring 0800 289622 free of charge.

We think you'll find that the PC AX2 can't be beaten — unlike Lawrence of Arabia, of course...



EPSON

Cinema/Ann Totterdell

Plenty of meat but not much to chew on

Angel Heart directed by Alan Parker

La Dolce Vita directed by Federico Fellini

It is not giving much away to reveal the identity of private eye Harold Angel's new client in *Angel Heart*. Just say his name — Louis Cyphre — aloud, and note his long pointed finger nails and his anxiety to straighten out some ambiguous long-standing contract with a vanished crooner. Why the devil he cannot find the missing Johnny Favorite himself when surely se knows everything is puzzling but no doubt he is a busy man who needs someone to do his leg work for him. And who could resist hiring someone called Angel (Mickey Rourke) to find the missing Johnny.

It *is* not long before Angel establishes that Favorite is a satanist of extensive power who went missing twelve years previously after losing his memory as a result of a wartime injury. Though everyone swears that Johnny is dead the omniscient Cyphre (Robert de Niro) is convinced that he is not.

But hark, nobody sings to Harold Angel, or at least never in sufficient detail, because every time he gets a lead his source is violently murdered.

Would a satanist with amnesia retain his evil inclinations—would he still deliberately seek out evil or be drawn back to it subconsciously? If the film has a central question that must be it, but *Angel Heart* is not a film that is strong on ideas or emotions. It is a powerful detective story but though there is physical meat in plenty there still is not much to get your teeth into.

Like all director/writer Alan Parker's films it is technically excellent. Deliberately removing all primary colours he has set out to make a black and white film in colour and informed post-war New York with a vibrant drabness. The removal of the action to New Orleans is a revelation of intimidatingly seedy locations—a witch's cluttered apartment, a voodoo priestess's shanty home, cheap hotels and cheaper bars. And Parker's casting is impeccable—de Niro is, naturally, even smoother and more intimidating than he was as Capone in *The Untouchables*, and Mickey Rourke was born to play a shabby gumshoe; Charlotte Rampling as an upper class witch and Lisa Bonet as the young priestess are impressive in challenging women's roles.

The intrigues of the story are strong enough to grab you by the throat and mesmerise you for every shuddering blood-soaked minute, but the test of a film is not just how it grips you in the cinema but how you feel about it an hour, or a day, or a week afterwards.

If the film has a point it must be that we cannot repress the evil in our natures for ever, even if we have forgotten it. But even this point is almost lost, so neatly is it bound up in a conclusion so symmetrical, so perfect in its circularity that it is in danger of disappearing up its own beautifully designed orifice leaving us nothing to remember but violent images and empty sensations.

Can it be coincidence that Jesus also makes an appearance this week in the re-issue of Fellini's *La Dolce Vita*? The film opens with an aerial shot of a statue of Christ appearing to fly, arms outstretched, across the Roman sky suspended from a helicopter—a serene if strange image promptly dispelled by a second helicopter containing the film's journalist hero, Marcello (Marcello Mastroianni) and a photographer who, in spite of being airborn, attempt to chat up four bikini-clad women sunbathing on a rooftop. "It's Christ," the women say, as if he flies past every day.

Mickey Rourke in "Angel Heart"

*

La Dolce Vita is a work that has been absorbed into our culture as a symbol of a world away from drabness and restraint, a world, it was thought—mostly by people who had never seen the film—to be decadent and provocative.

But Felini had his finger on the world's pulse; his aimless little cast of characters are not very shocking now but their lassitude and boredom, their frivolity bordering on despair, is easier to identify with now than it was when the film was made in 1959.

Seven days and nights in the life of Marcello and the Roman aristocrats, celebrities and hangers-on who make his livelihood. If Marcello did not write about these people they would still exist, but would he? It seems a mater of uncertainty for him because in spite of his intelectual pretensions he still clings to his intrusive life as a gossip columnist.

Italy with its chaotic political life and social problems takes shape in the life of Marcello and gives us a foretaste of the world to come. If anyone were foolish enough to remake *La Dolce Vita* today they could be more explicit, but they could not heighten the sense of tedium, the intangible burden, that Marcello carries.

Released with an immaculate new print the film (in black and white with subtitles) is fresh and probably less dated than it would have seemed 10 years ago in both mood and look. Those suits, those sunglasses, those perfectly groomed women look quite at home in the 'eighties. Not that, these days, many people would dance in a fountain in their designer evening clothes as Marcello and a scatty film star (Anita Ekberg) do.

London Philharmonic/Festival Hall

David Murray

Since the main work in Wednesday's LPO concert was Bruckner's Symphony No. 7, the preceding 5.55 pm recital in the perennial South Bank organ series was aptly devoted to Austrian organ music from Johann Kaspar Keril (high Baroque) to Rainer Bischof (flashy 12-notery). The Viennese organist Martin Hasselbock took maximal advantage of the colourful noises the Festival Hall instrument can make, not only in three of Keril's disarming pictorial exercisesh (including lusty battle-piece) and Bischof's new Cadenza for Organ, but in his own improvisation on a Kenneth Leighton theme and in five of the charming miniatures Hayden wrote for musical clocks.

More substantial than any of those was Mozart's C minor Adagio and Fugue — not originally an organ piece, but transcribed for a virtuoso performer: the fugue-subject alone *requires slalom style footwork*. Haselböck also gave us Franz Schmidt's big Toccata, phrased too lightly at the start to capture Schmidt's warm, sturdy tone but developed with expert confidence. His clever waywardness with Kerll's inocent lines was what stayed in the mind.

The London Philharmonic concert was another of the Tennstedt programmes which have had to be assigned to other conductors, this time Hans Vonk. The opening Prelude and *Liebestod* was unpromising: smoothly routine, without the least subtlety in detail, and much too loud too often (Wagner marked nothing in the *Liebestod* higher than *forte*, at the cost of his over-parted soprano. Rosalind Plowright sang with plain good intentions, but her timbre never had sufficient depth or body for the music.

One had to respect Vonk's evident affection for Bruckner's score, but it inspired nothing more than a moderate canter through the Symphony. The LPO, in fine professional form, sounded ready to respond to any imaginative demands, but none were made. Vonk never allowed a pause for thought; the thing simply ran on, as if he had an unstoppable metronome in his head and could not relent for the arrival of any new idea. I think that was what used to be meant by the epithet "*Kapellmeister*," though many a Kapellmeister would have avoided the nasty stridency of Vonk's climaxes, which in the Finale approached the pain threshold.

The Prospero Suite/Everyman, Cheltenham

Michael Coveney

New plays are increasingly rare on the main stages of our regional theatres, but all hurrahs for the beautifully refurbished Cheltenham Everyman freeze on the lips when confronted with this unadulterated stinker by Warner Brown.

An English film director, Roland Bennion, has returned to the New York hotel where, 15 years ago, his film about Lorenzo de Medici, "Boy," was slaughtered in a Critics' Week. That allegedly visionary work has been followed, after a long silence, by an applauded potboiler. Bennion is to address the same audience and has taken up residence in the Prospero Suite which, according to Chris Crosswell's monumental grey design, is a chill mausoleum well suited to the director's pompously intoned visionary view of himself.

The Medici film was also the baby of his long-suffering secretary Annie (Diana Payan) whose *definition* of the new work "Priceless," as "a tasteless load of junk" defies an unlikely critical cabal of Vincent Canby, Rex Reed and Pauline Kael. That mob is represented on stage by a Rosalind Russell-style showbiz hack called Judy Sykes. It transpires that Judy has made amends for rubbishing "Boy" by reactivating Bennion's artistic and sexual muscles. She and Annie lock horns while other interested parties — the director's mother, his niece who runs the hotel, his bespectacled young protege — stand around in attitudes of hoarily dumb attendance.

Unable to convince us of Bennion's Blakean fervour and entitlement to our sympathy, Mr Brown resorts to the worst kind of showbiz-buffery, cramming the stage with thudding clichés, arch exit lines, endless references to Bette Davis, a phoney murder plot, painfully contrived dialogue, a Hollywood takeover bid by the mother and, if you please, a manifesto for all *budding critics to encourage* and promote what they see regardless of considerations as to merit or otherwise.

Unimpressed by this clumsily-incorporated appeal to what remains of my good nature, I should add that John Doyle's production casts a silver-haired, silver-voiced actor, James Greene, as a director who is a vaguely rumpled version of David Lean and also, and less fortunately, old enough to be his own mother's father.

Mother is played by that treasured survivor of the Brian Rix farces, Hazel Douglas, while Beth Ellis, a flame-haired *comedienne of some consequence*, tries to compensate for the understandable lack of sparkle in the portrait of a reformed, well-intentioned critic, by clothing herself in suits of hideous brightness.

James Greene and Hazel Douglas

The 12th Gdansk/Gdynia Festival of Polish films

If nothing else, the 12th Gdansk/Gdynia Festival of Polish Feature Films (formerly in Gdansk, presently in Gdynia) in September effectively demonstrated the resilience of a severely hampered, yet still vibrant, national cinema. Following that fatal imposition of martial law in December 1981, not even the *most optimistic of critical* observers would have given Wajda, Zanussi & Co a chance to bounce back into the spotlight on the world festival scene—particularly since Wajda's own "X" film unit had been unceremoniously wiped out by the Polish film authorities, while Zanussi has been spending only weekends at home as he continues to beat the bushes for production support abroad.

Yet two factors have worked in Polish cinema's favour over the past five years. One was the rich storehouse of pre-1982 productions which, one by one, have now come off the shelf to amaze and delight—some even winning prizes in the Polish Underground (the forbidden video cassette market) or a coveted FIPRESCI (International Critics) award at an international festival. The other was the strong "second team" *of directors who stayed* at home—among them Krzysztof Kieslowski, Feliks Falk and Jerzy Domaradzki—who have managed to co-operate with the film ministry on subject matter for new projects while working energetically behind the scenes for the release of previously shelved productions.

Gdansk/Gdynia '87 aptly illustrated how both converged to make this the most memorable Polish festival since 1981. Further, the move from a stuffy, inadequate union hall (500 seats) in Gdansk to a new, comfortable music auditorium (800 seats) in Gdynia offers the administration great possibilities to develop this modest national film event.

Five previously shelved films formed the nucleus of the festival: Wieslaw Saniewski's *Freelance* (1981), Krzysztof Kieslowski's *Blind Chance* (1982) a Cannes entry in the Directors' Fortnight section — Janusz Zaorski's *Mother of Kings* (1982), Tadeusz Chmielewski's *The Faithful River* (1982), and Robert Glinski's *Sunday Pranks* (1983).

Of all these films, *Freelance* and *Blind Chance* were the two that caught some of the heady atmosphere of the surge towards Solidarity. Saniewski's "freelancer" is a journalist bent on exposing regardless of the moral implications, an administrative cover up of a factory accident. Kieslowski's student, by contrast, finds himself at a crossroads in life, when the "chance" of catching a train as it pulls out of the station will seemingly determine his future. Both films end on the note of a strike in the distance—somewhere in Gdansk in August 1980.

Janusz Zaorski's *Mother of Kings* deservedly won the Grand Prix. Based on a novella by Kazimierz Brandys penned shortly after Stalin's death, both Andrzej Wajda and Andrzej Munk were originally attracted to the material, while Zaorski drafted his script in his student days at the Lodz Film Academy. He had only to pull *it out of the drawer, it is said*, to receive the backing of Wajda's "X" film unit — and was half way through the shooting when the curtain fell. Thereafter, although the film was completed, the fact that it circulated on video cassette in the Underground meant that only mitigating circumstances — like the General Amnesty last autumn — would permit its general release.

Mother of Kings is the study of a mother's sufferings. On the death of her husband in 1933, Mother Krol is left with the task of raising four sons, barely escaping death herself under the Nazis during the Occupation. On Stalin's death, her lingering hope is that her wrongly imprisoned son (who is also a survivor of Auschwitz) will be included in the general amnesty. Lensed in black-and-white, the narrative interspersed with newsreel documentary footage, one of its saving graces is the absence of such questionable modern amenities as a zoom-in close-up. Indeed, *Mother of Kings* is a timeless ode to the poignant humanity of postwar Italian Neo-realism.

As for the other two deferred releases, Tadeusz Chmielewski's *The Faithful River* (based on Stefan Zeromski's classic dealing with the January Uprising of 1863) remains innocent melodramatic film fare with or without the reference to oppression under the Cossacks. And Robert Glinski's *Sunday Pranks* scores primarily as an experimental treatise — albeit by an obviously gifted director — on children playing ominous grown-up games on that fatal Sunday in March 1953 when funeral obsequies were being paid to the Great Man Stalin.

Compared with these "late entries," the rest of the show paled so far as timely critical comment was concerned. Nevertheless, Filip Bajon's six-part, *six-hour TV-serial*, *The Magnate* (the English title is *The White Visiting Card*), a Polish-German co-production, recounts in plush historical fashion the downfall of a princely German mining family in Silesia from the turn-of-the-century to the end of World War II. The truncated version was shown at Gdynia (180 minutes back and forth through a time machine), but enough rubbed off in images to rate this as a kind of Polish breakthrough into the current "famous chronicles" portfolio for European television.

Finally, Stanislaw Rozewicz's *Angel in the Cupboard* appears to be little more than a stylistic exercise by one of Poland's veteran directors, the theme of which is the middle-aged crisis of a movie soundman; but these recorded bits-and-pieces can be fitted into a mosaic on the status of contemporary Polish life

One moment is particularly revealing. When the soundman suggests to the director of the film-within-the-film to shoot a scene over, the latter confides to him that it is impossible: "We've run out of film, and besides tomorrow we'll lose the sound-camera too!"

Ronald Holloway

Magda Teresa Wojcik—who won the Best Actress Award—in Janusz Zaorskis' "Mother of Kings," which won the Grand Prix

The Still Point/Book Review

Clement Crisp

Some time ago, Mary Clarke and I were asked to write a book about the way Western theatrical dancing had been represented by painters and sculptors. We spent an illuminating year collecting material for what was eventually to become *Ballet in Art*, which did not pretend to do more than skim the surface of its subject, but which we hoped might give some indication of dancing's fascination for the artist. An incidental fact of the exercise was that we found ourselves faced with the general awfulness of the representations of ballet in the latter part of this century.

There were various practitioners who supplied an ever-eager market with dubious merchandise — I had to be convinced that one purveyor *did not use dog* concretions *for* his repellant statuettes — but hardly anyone who could reveal the frame and musculature that lie at the basis of dancing. It is the camera which now tells us about the mysteries of movement as Degas once did, and with rare exceptions (I think of Brian Organ's portrait of Nadia Nerina; Pavel Tchelichev's studies of Lifar; Paul Cadmus' drawings from the ballet studio) most dance art is a miserable affront to the good name of sculpture, painting and drawing.

And as if to prove the point, there has appeared *The Still Point*, published by the winsomly named Jolly Good Production Company at £120 which is a collection of laborious drawings by Betti Franceschi or anatomical bits, under the guise of being "Images from Dancers' Bodies." There is a delicate sense of propriety in all this since the owners of the various breasts, backs, buttocks and pudenda on view are not identified. And Miss Franceschi does not essay any faces. Or feet. Her drawing technique is of the heavy shading variety—I would recommend the book only to voyeurs of the heavy breathing variety—and, with a super-realistic gusto, she carefully delineates her chosen portions of the male and female frame (chiefly female, though I'm puzzled by one pair of androgynous breasts). There are tasteful highlights in the drawing, wrinkled flesh, one possibly varicose vein and the general impression that we have been made privy to the key-hole of a corps de ballet's dressing room.

The purpose of the tome, which is large in format and printed on very good paper, defeats me. Miss Franceschi provides an introduction which burbles on about the dancer's "center" and tells us that "As a boy's energy builds, his center turns on like a dynamo. He takes *hold of it* and *knows* himself to be a man." Portentous, more than a little naif, the prose is a very fair reflection of the finicky naturalism of the drawings.

Arts Week

Continued from Page 22

Music

PARIS

Scottish Chamber Orchestra conducted by Wilfried Boetchler, Ronald Brautigam, piano, Hakan Hardenberger, trumpet: Haydn, Mozart (Mon). TMP-Chatelet (4233 4444).

Orchestre National du Capitole de Toulouse conducted by Michel Plasson; Albert Roussel (Tue). Salle Pleyel (4561 0630).

Paul Kuentz choirs from Paris and Brest: Mendelssohn, Elias (Tue). Saint-Severin Church (4563 7955).

Saint-Saens: Requiem sung by the Roland de Lassus choir with the Orchestre Francais d'Oratorio conducted by Jean-Pierre Lore (Tue). Saint-Roch Church (4261 9326).

NETHERLANDS

Amsterdam, Concertgebouw. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Alexander Rudin, cello: Mozart, Haydn, Schubert (Mon, Tue). (71 83 45).

Rotterdam, Doelen. Recital Hall: 17th-century vocal and instrumental music (Mon). Glen Wilson and Stanley Hoogland, fortepiano quatre-mains: *Mozart* (Thur). (413 2490).

Eindhoven, Schouwburg. Radio Wind Ensemble: Dvořák, Janacek, Martinu (Wed). (11 11 22).

LONDON

English Chamber Orchestra conducted by Sir Alexander Gibson and Leeds piano competition winner, with Crispian Steele-Perkins, trumpet. Mozart and Haydn. Barbican Hall (Tue). (638 8891).

Academy of St. Martin-in-the-Fields conducted by Sir Neville Marriner with Arleen Auger, soprano and Keith Lewis, tenor. Haydn and Mozart. Royal Festival Hall (Tue). (928 3191).

London Philharmonic conducted by Klaus Tennstedt with Rosalind Plowright, soprano. Wagner and Bruckner. Royal Festival Hall (Wed).

TOKYO

NHK Symphony Orchestra , piano, Christoph Eschenbach and Tzimon Barto. *All-Brahms programme*. Yamaha's Arthur Rubenstein Centennial Concert. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Mon). (572 3141).

The Tokyo String Quartet with Hiroko Nakamura. Haydn and Dvořák. Suntory Hall (Tue). (235 1661).

NEW YORK

Carnegie Hall: Tonkunstler Orchestra of Vienna. Alfred Eschwe conducting, Gail Dobish soprano, Manfred Geyrhalter violin, Raphael Flieder 'cello. Mozart, Beethoven, Weber, Haydn, Johann Strauss, Josef Strauss (Thur). (247 7800).

Merkin Hall (Goodman House): New York Woodwind Quintet. Mozart, John Harbison, Malcolm Forsythe, Janacek (Tue); Kurt Weill Festival with the St. Luke's Chamber Ensemble conducted by Julius Rudel (Wed). 67th w. of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Toch, Mozart, Berlioz (Tue); Catherine Comet conducting, Alexis Weissenberg piano. Bernstein, Elgar, Beethoven (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Joseph Golan violin. Bartok, Elgar (Thur). (485 8111).

Saleroom/Antony Thorncroft

Banknote week in London

This is banknote week in London with all the major dealers and collectors congregating in town for the weekend fair at the Great Western Hotel. The auction houses are naturally cashing in on the occasion by holding ripe sales. Christie's yesterday totalled £75,405, but with 22 per cent unsold, confirming that this is a sector in which demand, and prices, are still at a low ebb. In th main banknotes have just about reached the levels of a decade ago when the market was created through the efforts of the doomed Stanley Gibbons. It really is a good time to buy.

Rather surprisingly the collection of Iranian banknotes, smuggled out of the country by Ebraham Abaie, when he left, on a camel, to escape the attentions of the Revolutionary regime, did quite well, realising *£47,410, with only* 8 per cent unsold. Abaie has been forced to sell to survive and the second group of his notes, which form the finest collection of Iranian banknotes in private hands, will be offered at Christie's next year. Fortunately there was one enthusiastic bidder in the room, the Montreal dealer, William Barratt, who acquired 25 of the 70 lots. Top price was the £4,840 paid for a 1913 Imperial Bank of Persia 100 Tomans, "Payable at Yezd only." Not surprisingly it is extremely rare and the successful bid comfortably topped the estimate. It went to a private American collector.

Barratt paid £4,180 for a set of seven Toman notes representing all but one of the denominations, mainly issued in 1908 by the Imperial Bank of Persia. The general lack of interest in banknotes was illustrated by the price of £1,100 paid for a Guernsey £1 note issued in 1918 which had previously been unknown. Despite its rarity the price was well below the estimate.

Sotheby's sold coins in the morning for £149,990, with less than 3 per cent unsold. The most interesting lot was the collection of Communion tokens, numbering 810 in all, dating from the 18th and 19th centuries, with a few from the 17th. They were sold by the Church of Scotland and presented by communicants. It was a money-raising exercise. Yesterday the tokens made £4,620, way above the £1,000 estimate.

Top lot at the auction was the £5,720 paid by Knightsbridge Coins for a gold 20 marks of 1875 issued by Reuss-Greix in Germany. The same dealer paid £2,860 for an 1837 pattern crown of Queen Victoria, of which 150 were struck.

FINANCIAL TIMES

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Friday October 2 1987

Leadership in Japan

FIVE YEARS ago, many of Japan's friends in the West thought and wrote that Mr Toshio Komoto, then Minister of Economic Planning, should become Prime Minister. The world was still in recession, a fact which had appeared to elude the attention of Mr Zenko Suzuki, the outgoing leader, and most of the Japanese establishment, including Mr Komoto, was arguing that Japan should expand more vigorously, in part to contribute to international recovery. The alternatives appeared to be an unprepossessing and unfamiliar set of introspective conservatives, one of whom was Mr Yasuhiro Nakasone.

The same tendency is apparent today, as five rather remarkable years under Mr Nakasone's direction draw to a close. The obvious solution—it is tempting to suggest from the outside—is that Mr Nakasone, whom the world has come to know and admire, stay on, but the chances of this happening are so remote as to be unworthy of speculation or advice. If his influence survives behind closed doors, then so much the better, but the Japanese perception, *which is what counts most*, is that the time has come for a change at the helm.

The favoured external candidate this time, Mr Kiichi Miyazawa, the Finance Minister, *is internationally minded* and does have expansionist inclinations, still unusual attributes among Japanese politicians. His main rivals, Mr Noboru Takeshita and Mr Shintaro Abe, have held important portfolios, Finance and Foreign Affairs respectively, but made little impact on them, and their views on subjects other than internal Japanese politics are not well known.

Financial liberalisation

But it would be wrong to invest too much significance in the individual who emerges at the top. It may seem strange to say this after so successful a tenure as that of Mr Mr Nakasone, but it can never be forgotten that there is a collegial nature to the governance of Japan that still transcends, for the most part, the role of all but the most exceptional individuals. Had the Japanese establishment remained static in form and ideas over the last five years, there would be good reason for concern at the departure of a man capable, at times, of dragging it with him. But it is not the least of Mr Nakasone's achievements that he has encouraged the growth of some creative and outward-looking thinking in what had been an essentially self-contained system.

It is important that this momentum be maintained, and there is good reason to suppose it will be. The debate over financial liberalisation, for *example, is no longer over the* principle, for too much has been achieved to go back, but over the fine print of its details and pace. The inventiveness with which much of *Japanese industry* has absorbed and adapted to the shock of the high yen can only be described as impressive. Real winds of change have swept through the Japanese bureaucracy, including some of its darker recesses. There is a new found assertiveness in the attitudes of the Japanese government that should be welcomed in international debate.

Internal balances

There is, of course, much still to be done, and the progress desired by the West is bound to be uneven. The Japanese political system, unbalanced in favour of rural areas, is still mostly run by well-oiled machines, with defined domestic constituencies. It is unrealistic, therefore, to expect Japan at a stroke to expose its agricultural sector to the full force of international competition. Equally, the Japanese know perfectly well that the astronomical price of land inhibits economic and social policy-making, but cutting through the labyrinth of entrenched interests is going to require patience as well as perseverance. This, in turn, means that Japan's friends will need sometimes to exercise restraint in their demands for change. Smashing radios on the lawns of Washington is not conducive to the process.

It may well be that the best man to continue Mr Nakasone's work is one thoroughly versed in the intricacies and delicate internal balances of the Japanese system. This is why Mr Takeshita, generally reckoned to have the most complete understanding, now stands as favourite. But it is a Japanese choice and the Japanese must be given credit for knowing their people best. There were, after all, good internal reasons for not choosing Mr Komoto five years ago, and the product was Mr Nakasone, for whom there is cause for thanks.

Priorities for City rules

A NEW TEAM of ministers at Britain's Department of Trade and Industry is suddenly under intense pressure from the City of London to soften the impact of the Government's own Financial Services Act. That was only to be expected: the switch from self-regulation and club rule to practitioner-based regulation within a statutory framework was bound to be painful for most of those involved. But the starting date for the Financial Services Act, which will implement the new system, has already been deferred once and City interests were closely consulted throughout the passage of the bill. It seems highly questionable whether this is the moment to slow the impetus towards a full system of investor protection.

That is not to say that the City's criticisms are wholly without foundation. The draft rule book of the Securities and Investments Board (SIB), the City's new watchdog, is unquestionably cumbersome and legalistic. So, too, are those emerging from the *Self Regulating* Organisations (SROs) in the City, which the SIB is shortly expected to recognise. And there is not much doubt that some members of the SIB's staff have erred on the side of bureaucracy in their examination of the SROs' rule books, whereby they seek to establish whether the rules provide an equivalent standard of protec*tion to those of the SIB.* It has become clear in the course of the summer that the new system is not working quite as originally intended or as the City had hoped.

Legalistic rules

Much of the problem stems from section 62 of the new act. This gives individual investors *the right to sue if they have* lost money as a result of a breach of the rules. In consequence, the SIB and the SROs have been obliged to frame their rule books in a legalistic way because each rule potentially exposes practitioners to legal liability. Hence the incomprehensibility of many of the rules. Hence, too, an appeal this week by the chairman of The Securities Association, the SRO for the Eurobond markets and the domestic stock market, for some delay in implementing the section. If the new system then worked adequately, runs the argument, there would be no need to move to a more legalistic system redolent of the US.

The problem here is that section 62 constitutes the chief means of enforcing the provisions of the act. It also represents an attempt to codify forms of protection that already exist for investors under common law. And it is hard to see how implementation could be deferred without provoking a monumental political row. If the law was regarded as necessary by the Government before the general election, failure to push it through now would invite accusations of a cynical sell-out to the City, while raising complex issues for legal policy. So what else could Lord Young, the Trade and Industry Secretary, reasonably do?

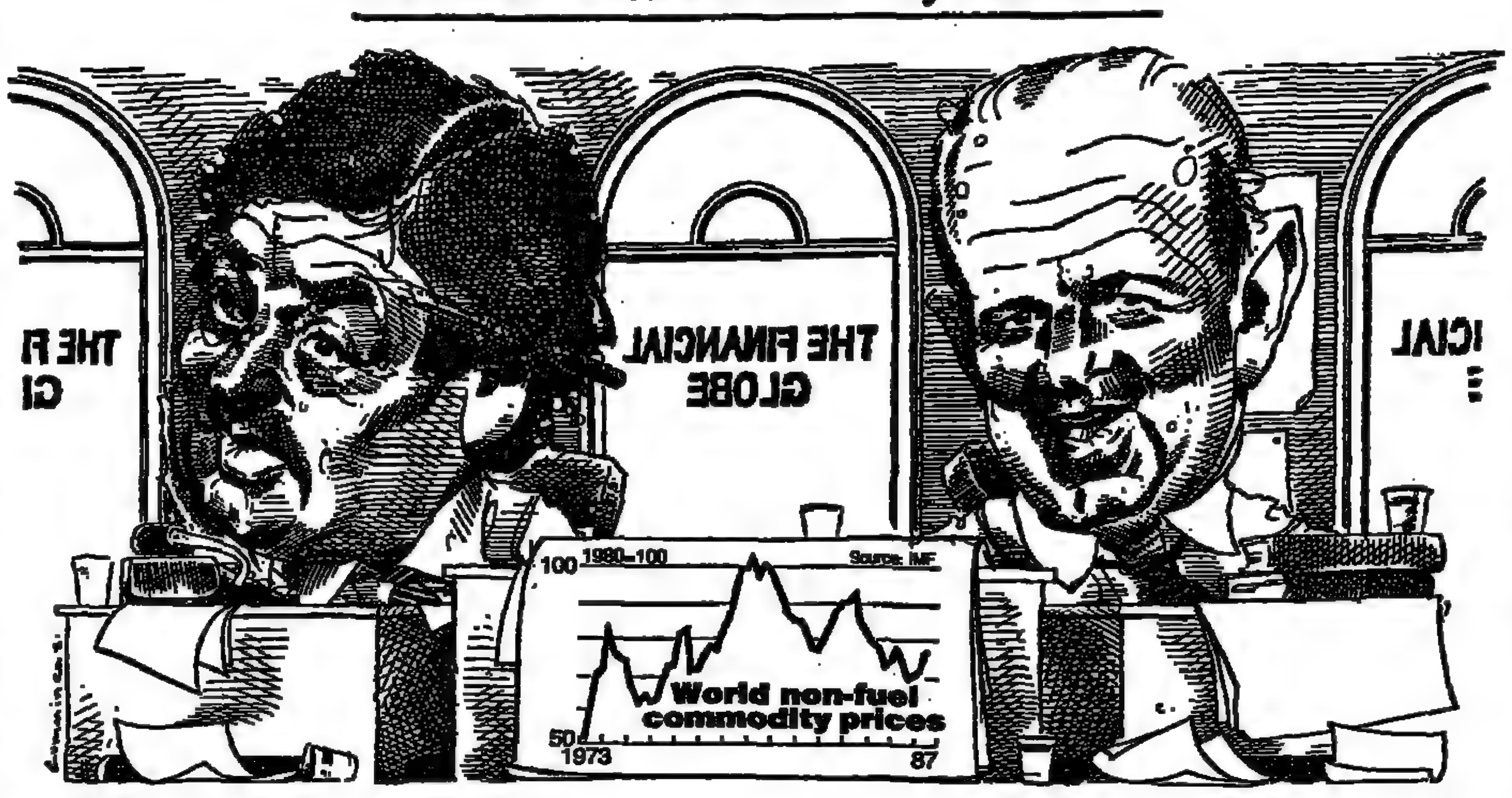
City concern

His initial response to City complaints has been to rally to the support of the SIB, while simultaneously reassuring market practitioners that he expects the SIB and the SROs to operate with all the flexibility that the act permits. He has also pledged no further delay on the implementation of the new system. All of this makes sense, as does the more conciliatory stance that is becoming apparent at the SIB. At this stage it would be fatal to undermine the SIB's authority or for the atmosphere to be soured by further *acrimonious argument.*

But there is still some question in Whitehall about whether City concern over section 62 could be allayed by deferring some of the more contentious parts of the new rule books which seem most likely to give rise to litigation. Yet in practice most of the issues they are still giving rise to difficulty, such as capital adequacy and the treatment of clients' money in the securities and futures markets, are not the ones where the threat of legal action is the problem.

At this late stage the priority should be to continue along the lines already proposed by Lord Young and to put the system into operation as soon as possible. It should then be subjected to frequent and pragmatic review to ensure that adequate investor protection is not incompatible with flexible market practice.

The Baker-Lawson currency initiative



Almost a meeting of minds

MR NIGEL LAWSON, Britain's Chancellor advocates a permanent shif to a system of managed exchange rates. Mr James Baker, the US Treasury Secretary, suggests that the gold price should be included in a new indicator of inflationary pressures in the world economy.

There is clearly something happening in international economic policymaking.

If nothing else, their two speeches at the International Monetary Fund this week underlined a decisive break with the regime of free-floating exchange rates which replaced the fixed-rate Bretton Woods system in the early 1970s.

Both seem determined that the Plaza accord of September 1985 and the subsequent Louvre agreement earlier this year should be more than brief *episodes in economic history.*

Instead, the concerted move first to devalue and then to stabilise the dollar should provide the basis for a new international monetary system. *The actual shape of that system* is much hazier.

Mr Baker's decision to single out gold for inclusion in a basket of commodities which might be used by policymakers *as a guide to future price* trends appeared deliberately ambiguous. Only in a subsequent background briefing for American journalists was he prepared to rule out a return to the gold standard.

Mr Lawson's detailed blueprint for a new world order, meanwhile, has yet to convince the Bank of England, let alone the more independently minded Japanese and West Germans.

The joint commitment by the Group of Seven industrial nations to the ad hoc system of exchange rate management now in place is not in question.

For now the two latest proposals are only ideas on the table. They will be considered alongside France's longstanding call for a system of currency "reference zones," based on national economic performance indicators, and alongside West Germany's preference for continued pragmatism in managing the present regime.

There was also the whiff of political opportunism. Mr Baker can justly claim to be have been the driving force behind closer international exchange rate co-operation. The Plaza accord came at his initiative, and he set the subsequent pace towards a more formal framework for policy co-ordination.

The consensus in Washington, however, is that Mr Baker's priority now is the election of Vice-President Bush in the November 1988 presidential elections. Economic stability, and more specifically avoiding a sharp rise in US interest rates, is seen as one of the key prerequisites of a Bush victory.

And, in a country where daily *television news reports still* flash the gold price on the screen, a favourable reference to gold is hardly bad politics.

Mr Lawson has hung his own policy of stabilising sterling at a relatively competitive rate on the coat-tails of the Louvre accord. Clearly, the Chancellor has not abandoned his two-year campaign to persuade the Prime Minister to take sterling *into the European Monetary* System's exchange rate mechanism. As Britain takes a lead in international exchange rate management, Mrs Thatcher's objections to the EMS look increasingly eccentric.

If Mr Baker was the architect of enhanced exchange rate co-operation, Mr Lawson is displaying all the fervour of a religious convert. Only two years ago the British Treasury openly ridiculed US suggestions that free-floating should be permanently abandoned.

But this week it was Mr Lawson who provided the most detailed critique of the old system, and the clearest outline of how a permanent regime of "managed floating" might work.

The changing nature of financial markets, with speculative capital flows driving 24-hour trading had confounded the view that free-floating could combine flexibility with relative stability, he said.

To replace this system the Chancellor suggested a regime based on what governments and central banks have been doing since the Louvre accord.

The flexible—and secret—exchange rate bands established in February would be the *foundation for a new system* of "managed floating." Each currency would have a central rate within the bands, which could be moved to establish a new range if governments agreed an adjustment was needed. But, to limit speculative gains in the markets, the new band would be based on a central rate set within the limits of the previous range.

The bands, Mr Lawson said, would be underpinned by a broad policy framework aimed at ensuring the overall policy stance of the Group of Seven had neither a persistent inflationary nor a deflationary *bias.*

The focus of the economic performance indicators which finance ministers have been using as the basis for co-ordination would switch from national to aggregate targets for *the group.*

These targets in turn would represent a framework for policy in terms of either a path for output growth in the group as a whole or one for the average *inflation* rate.

Performance against the targets would be monitored using a range of economic indicators, including the trend of world commodity prices. It is on this *latter point that the British* ideas chime with those of Mr Baker.

The shared view is that governments need to establish an overall anchor for inflationary *expectations following* the breakdown of credible policies to control inflation by regulating the money supply.

Unfortunately, stable exchange rates provide no guarantee against a general upsurge in inflation, as became evident in the late 1960s, when accelerating prices in the US contributed to the fracturing of the fixed rate system.

The attraction of a commodity *price indicator is that it* might persuade financial markets that a return to managed exchange rates was not being pursued at the expense of anti-inflation policies.

In the US, the idea of creating an index based on a basket of commodities to provide such an early warning system has been championed by Mr Robert Heller, a governor of the US Federal Reserve.

Mr Baker's comments at the IMF bear an uncanny resemblance to a speech given by Mr Heller in March of this year.

Although governments would have to make allowances for special circumstances, such as bad harvests, the general rule would be simple. In times of rising commodity prices, monetary policy would be tightened and in times of falling prices policy could be loosened.

And while in Euroje, gold is regarded as something of a relic, the US view is that the metal's price can still provide *a good leading indicator of* price pressures.

The perception that some new anchor is needed for inflationary expectations has been reinforced by the recent *strong* upward trend in long-term interest rates.

That rise has been based on the markets' view that inflation may now be on a sustained upward trend. It is a view not shared by most governments, but one that could force central banks to tighten policy at a time when prospects for economic growth are already lacklustre.

But if the global targeting implied by Mr Baker and developed by Mr Lawson has immediate attractions, it also begs a whole range of questions.

A series of agreed indicators for the Group of Seven as a whole would say nothing about the relative responsibilities of each country in meeting them.

That, as the experience of the past two years has shown, is the most intractable problem facing policymakers.

It is a desire to highlight those relative responsibilities that has been the driving force behind Mr Baker's determination to establish a system of national indicators—and behind West Germany and Japan's determination to ensure that those indicators carry no automatic obligations.

More fundamentally, Mr Lawson may have been premature in *suggesting* that the present pattern of exchange rates will provide a durable basis for a more permanent system.

His view that the dollar's decline since 1985 is more or less sufficient to reduce the US trade deficit and the parallel surpluses in Japan and West Germany to sustainable levels is far from universally shared.

The Chancellor emphasises the point that: "there is no law that dictates that the current accounts of the major industrial countries should always be in balance." The problem is that the scale of the imbalances currently in prospect for the 1990s hardly look sustainable.

Confidential IMF predictions suggest that on the basis of present exchange rates and unchanged policies in the major economies, the US current account deficit could still amount to $150bn in 1991.

That would imply a build-up in the US external debt which the IMF believes would be unacceptable to financial markets—the result, it concludes, might be a further 15 to 20 per cent devaluation of the dollar.

Even with additional shifts in policy towards cutting the US deficit and strengthening economic growth outside the US, the IMF believes a further sizable dollar depreciation will *be necessary.*

Whether that could be accomplished by period ic small adjustments within agreed bands, or whether the markets may yet force it at a much more *rapid pace is a much more open* question than either Mr Lawson or Mr Baker admits.

Philip Stephens

A troubled history of snakes and snares

AFTER THE First World War, there was a widespread return to the gold standard, in which a country's currency was tradeable for gold at an official price. By the mid-1920s, the US, Germany, Britain and 39 other countries had returned to the standard at its pre-war parity, in spite of arguments from economists like Keynes that gold was overvalued. The system was designed to promote stability and curb inflation.

1931. International financial panic led to serious runs on currencies. The Bank of England suspended its obligation to sell gold on Sptember 21. A further 32 countries then abandoned the gold standard.

1936: The remaining gold bloc countries went off the gold standard A tripartite monetary agreement between the US, France and Britain (later joined by Belgium, Holland and Switzerland) *established* the principle of currency stability and the need for co-operation in a managed exchange rate system.

1944: Delegates from 44 nations met at Bretton Woods, New Hampshire. They set up the International Monetary Fund and the World Bank, with three main objectives: a multilateral *system of payments* based on a worldwide inter-tradeability of currencies to be achieved through the elimination of exchange controls; reasonable stability of exchange rates; full employment as a policy goal. Each member country established a par value for its currency fixed either in terms of gold or of the dollar, pegged within a range 1 per cent above and below par value.

1949: 28 countries devalued their currencies by substantial amounts against the dollar.

1967: uncertainty with the Vietnam war in the background led to a worldwide shortage in gold as private demand for it surged.

1968: The London gold market closed and a two-tier price system for gold was ushered in with both an official price and a market price.

1971: The US suspended the gold convertibility of the dollar. In December, the so-called Smithsonian agreement saw a 7.9 per cent devaluation of the dollar and an experiment in which major currencies were fixed against a non-convertible dollar within wider margins. The parities only held until early 1973.

1972: Formation of the EC "snake," in which currencies were fixed within bands of 2.25 per cent against each other. It was decided the currencies as a whole could diverge within a 4.5 per cent band against the dollar. The UK joined but withdrew after only six weeks.

1973: Dollar devalued by 10 per cent. Next day the yen and the commercial lira were allowed to float. The EC decided to maintain stable exchange rates among members and float freely against the dollar.

1973: The first oil shock and the start of a period of turbulence *on foreign exchange markets.*

1979: The European Monetary System was set up to consolidate and extend regional fixed rate arrangements.

1985: The Group of Five met at *the Plaza Hotel in New York* and agreed to bring down the value of the dollar.

1987: The Group of Seven agreed to stabilise exchange rates at around their current *levels at a meeting in Paris.*

Janet Bush

Men and Matters

Western suits in Peking

When the Chinese communist party threw its annual party for diplomats and journalists in the great half of the people, Peking this week the event was surely a victory for the country's reformers.

Western suits heavily outnumbered the Mao suits favoured by the "conservative" communists.

China's premier, Zhao Ziyang, has attempted to play down the significance of fashion in Chinese politics. He recently told an American journalist that he has never been criticised for wearing western suits. He did confess, however, that he would prefer a suit without the tie, which he finds "uncomfortable".

The premier was the star of the show at the party, and shortly after completing a speech calling for an expansion of the reform programme, he was mobbed by Chinese and foreign photographers and lost in a western-style media crush.

However, our man in Peking reports that most of the senior Communists present proved coy when they were confronted by journalists. Li Peng, a vice-premier tipped to be the next premier, was asked what would happen at a major congress of the party later this month. He simply smiled knowingly and said: "We will perfect the socialist planned commodity economy."

Some of the ambassadors among the guests were embarrassingly eager to meet their favourite party persons. They feigned nonchalance, and gave non-committal diplomatic glances whenever a Chinese leader came their way. But they did position themselves so that he was forced either to bump into them or offer a toast.

Protocol demanded the latter.

The revellers included General Yu Qiuli, who at 74, is a Long March veteran and one of the few uniformed men remaining in the politburo.

When asked if he would retire at the next congress, the general said, "I want to retire but I don't know whether the party will let me."

It is clear that he and the few other long-marchers who are still trudging the political road will not give up easily. The general went on to say, "You can't measure age in years. If a man has energy and a quick wit you can't make him retire."

So there.

Brief encounter

London solicitors are speeding up their attempts to adjust to a changing world.

Following a merger between two leading London law firms, Lovell, White and King, and Durrent Piesse, this week, another major London law firm, Nabarro Nathanson, has appointed a professional manager.

Dr John Hooper, formerly chief executive at the chartered institute of building, yesterday became chief executive at Nabarro Nathanson. He has been given overall responsibility for the direction and management of all support services to the practice.

Jeffrey Greenwood, Nabarro's senior partner, says they see the appointment as a significant step forward in the firm's development. It will free the partners to concentrate on the legal work.

Hooper's previous management experience has included jobs with Glaxo and the Open University.

Aiming low

Professor Eric Ash, rector of Imperial College, London, last night poked gentle fun at the government's attempts to restructure funding for British science as a way to get greater economic benefits.

"Aim low," he counselled the Institution of Electrical Engineers on his first night as its new president. "Let us be content with not getting it dreadfully wrong," he went on in a text which drew its inspiration from Swift's Gulliver's Travels.

Ash, an electronics man and head of one of Britain's biggest research institutions, is all for *scrutinising the scientific* disciplines to sort out those most likely to lead to fruitful application. He acknowledges that political criticism of the academic community for failing to make best use of *scientific* resources has some justification.

As he sees it the true situation in research is rather like parenthood — impossible to get right. "All you can hope for *is not to get it too terribly* wrong."

Outside the net

Soon after Salvador Laurel was sworn in as vice-president to president Corazon Aquino of the Philippines 19 months ago, he began to complain that he was being "left outside the *mosquito net*" — a fate that Filipino wives usually reserve for erring or drunken husbands.

The marriage of convenience that was reluctantly joined to fight former president Ferdinand Marcos, has now been dissolved.

That leaves Laurel in the unusual position of being an elected vice-president in open revolt against the elected president.

His first attempt to embarrass the government, however, has fallen flat. Laurel has loudly trumpeted that he has a report prepared by Philippine intelligence chiefs, showing that there are "communists" in the government.

But Mrs Aquino has told Laurel, in effect, that the report is a figment of his imagination;

Now Laurel has watered down his accusations. The government is no longer harbouring "Communists," but "leftists" who are Marxist sympathisers. Some of them, he says, are on the presidential staff. But he refuses to name names.

Observers believe that although Laurel is trying to restore himself as a credible political figure, the mosquitos are likely to be dining on him for some time to come.

Spanish major

A new Spanish oil giant gushes onto the European stage this week.

Repsol, which has instantly become the nation's largest industrial group, has risen from the former INH state-owned Spanish energy group. It boasts a turnover of $7bn, and has a staff of 19,000. It is calculated to be the seventh-largest European oil company.

The man who will be leading Spain's answer to the majors is Oscar Fanjul, aged 38. He has swopped the life of an academic for the trials of being an industrialist. He has been given leave of absence from his duties as professor of economics at the Independent University of Madrid.

One quality the new chairman will not lack is stamina. In his early days he was a marathon runner, though jogging is all he now has time for.

Sure verdict

Another putdown I'm afraid for that promising playwright Jeffrey Archer and his new play, Beyond Reasonable Doubt.

The following exchange was overheard the other day at a Thames Television lunch to announce the winner of its young playwright scheme — an affair presided over by John Mortimer, the barrister who created Rumpole of the Bailey.

The literary man from The Times said he should have got John Mortimer to review Beyond Reasonable Doubt.

"Someone should have got John Mortimer to write it," replied the literary man from The Guardian.

Observer

THE BRITISH Labour Party is well on the way to becoming the British conservative party with small letters.

That is the best way of explaining the extraordinarily quiet and subdued conference that ends in Brighton today. It is true that there have been scuffles on the sidelines and sometimes even in the main hall. But they have been as nothing compared to the disputes of previous years.

One reason for the relative decorum is that Labour seems to have watched with fascination the Social Democratic Party apparently tearing itself apart throughout the summer. It was a salutary lesson. Labour was determined not to behave like that. It has also been encouraged to believe that the threat of a third force in British politics is receding.

A deeper reason, however, is that the party as a whole now fully accepts the size of its defeat in the general election last June. It was devastating. The best that can be said about it is that Labour won the chance to fight again. As Mr Bryan Gould, one of the busiest of the conference performers admitted, if it loses a fourth time, the very future of the party will be in doubt.

It is no good Labour piling up votes in Scotland and the north of England. It is the failure in the south which has been noted and which illustrates the length of the road back.

From this two consequences have flowed. The first is that the party must come to terms with affluence and the second is that it must accept that many of the changes introduced by Mrs Thatcher in the past eight years are here to stay.

Probably the most memorable quote of the conference came from Mr Neil Kinnock, the party leader, himself quoting Mr Ron Todd, the general secretary of the Transport and General Workers' Union.

"What," Mr Todd had asked, "do you say to a docker who earns £400 a week, owns his own house, a new car, microwave and video, as well as a small place near Marbella?

"You do not say — let me take you out of your misery, brother."

There was plenty of controversy about that, of course. It was pointed out that many Labour supporters earn less than £400 a month. It was also thought that the reference to dockers contained more than a touch of male chauvinism. Many of the lowest paid workers are women and women are beginning to play more of a role in the Labour Party.

Still, Mr Kinnock and Mr Todd between them had hit a

Politics Today: Labour at Brighton

Waiting for the country to turn conservative

By Malcolm Rutherford

Conference faces: Ron Todd (left) and Neil Kinnock

nail on the head. The point was made perhaps more tactfully by Mr Larry Whitty, the party's general secretary, when he spoke about a middle group of the electorate. These people, he said, were middle income, owned their own house, held maybe a few shares, but were in no sense a new plutocracy. Moreover, they existed in all parts of the country. They are the people Labour has to win over if it is to revive.

Much of the conference was about how, and it cannot truly be said that anyone is much wiser by the end. Partly this is because all Labour Party policy is now officially under review and the first draft documents will not begin to appear until next year. It is also because the various factions are still sizing each other up. None of them wants to be accused of unduly rocking the boat. Not least, there seems to be a good deal of genuine doubt about how revisionist the party can or should be. Mr Kinnock often talks as if he is ready to jettison most of the old baggage, but he does not always follow through.

Defence policy is an example. Mr Ken Livingstone, the newly elected member of the national executive committee and MP for Brent South, gave a warning that Mr Kinnock would be risking civil war in the party if he sought to abandon the non-nuclear approach. Reassurances were quickly forthcoming that the leader has no intention of doing any such thing. So perhaps nothing much has changed.

What has certainly not changed, and may have been cemented, is the party's relationship with the trades unions. The only fundamental decisions taken this week concerned the method of selecting and re-selecting parliamentary candidates. The idea was to get away from selection by small militant groups towards a wider franchise. One system on offer was direct democracy or one member one vote. Instead, with no objections from Mr Kinnock, the conference chose an electoral college that will give the unions 40 per cent of the voting power in the constituencies.

That was deliberate. Mr Kinnock did not want a fight with the unions and the bulk of the union leaders did not want a fight with him. The new system may be transitional—Mr Todd seemed to be hinting at a period of about 10 years. But the immediate point is that the union leaders still regard themselves as the guardians of the Labour Party, as well as the paymaster, and they want something in return for their money. Mr Kinnock is happy to accept that arrangement.

As it happened, the unions—or sufficient of them—came dramatically to Mr Kinnock's rescue in a key vote on Wednesday afternoon. For a few moments it looked as if the conference had passed by a show of hands a resolution that would have committed a Labour government to take back into public ownership everything that has been or will be privatised by the Tories. A famous card vote was then called and enough of the unions did their stuff for the resolution to be rejected. As a protection against the constituency activists, the unions can be a useful conservative force.

Conservatism, however, is what it is; not radicalism. The debate in the Labour Party may have changed from how much of Thatcherism should be rejected to how much of it should be accepted, but the party does not initiate and does not produce new ideas of its own.

The discussions on wider share ownership scarcely broke new ground. Given Mr Gould, the shadow Trade and Industry Secretary, who sometimes seems to be conducting a softening-up process for Mr Kinnock, was pushing only for a measure of acceptance of what the Government has already done, coupled with giving shareholders a greater say in the management of the company they work for. The latter part of that case was an idea put forward by the Labour left over 20 years ago, as the veteran Mr Ian Mikardo was unkind enough to remind him. It was then rejected by the Labour right.

Discussions on economic policy were virtually non-existent. Mr Robin Cooke, the shadow spokesman for Health and Social Security, complained last year that only 11 constituencies submitted a resolution on the economy. This year there were only eight.

Mr John Smith, the new shadow Chancellor, made only one three-minute speech at the conference proper and was not going out of his way to address fringe meetings. However when he spoke, he said nothing new, stressing largely the need to increase investment in manufacturing and to maintain a regional policy, much as he did when he was shadowing Trade and Industry.

One of the biggest cheers at the conference came when someone announced that Mr Keith Best, the former Tory MP who overdid his share applications, had been sentenced to prison. In other words, the discussions were hardly mainstream. Labour economics dons went around complaining that the party had still not heard of the supply side.

There were also one or two undercurrrents which suggested that the party's professed search for modernity may be a bit of a facade. Thus Mr Tom Sawyer, deputy leader of the National Union of Public Employees and a man who has played a large part in trying to bring the party up to date, told the Tribune Rally that now he was among friends he could speak candidly. "We are a class party," he said. "We're based on the working class and cannot advance without the working class being at the centre of everything that we do."

The Tribune Rally, incidentally, is no longer what it was. It used to be packed out, almost the main event of the week. This time it was at most half full, and while the standard bearers of the left still put down their markers, one had the impression that some of them were doing it with a friendly smile rather than through the clenched teeth of the past.

And that really was the mood of the conference: looking for the best in pretty appalling circumstances. It won high marks for trying and the party still has some valuable assets. The Labour front bench looks remarkably young: not only Mr Gould and Mr Cooke, but perhaps particularly Mr Jack Straw, the shadow Education Secretary, who made one of the best conference speeches of the lot and will be a formidable opponent for Mr Kenneth Baker, the Education Secretary, when parliament resumes. The new black and the new women Labour MPs will help stir the place up. Ms Diane Abbott, the member for Hackney North, has the advantage of being both.

Nevertheless, outside observers would probably have concluded that they had been at a very conservative conference with a few mavericks on the fringe. Mr Kinnock, in his own words, is looking forward to the time when the oil will have run out and there is nothing left to privatise. At that stage the country might want to become conservative again. He is doing his best to prepare for it.

Lombard

Scientists and philistines

THE DEBATE has officially started on how to direct UK science and technology to meet the country's needs. A likely result—and one which involves some dangerously muddled thinking—is the channelling of more resources to back what are deemed commercially exploitable technologies, at the expense of non-focused scientific work where any corporate pay-offs are decades away.

Discussions are being held under the auspices of a new government committee, the Advisory Council on Science and Technology (ACOST). This body, which had its first meeting this week, is to suggest to ministers how to allocate priorities within the Government's Research and Development budget, which totals some £4.5bn a year, and how best for researchers in academia and state-owned laboratories to work with the private sector to maximise commercial spin-offs.

The council has been set up within a climate — created by Mrs Thatcher, among others — which suggests that Britain's academic researchers have failed the country by not being pushy enough in getting their ideas applied in business.

What needs to be done, according to this argument, is to devise a plan for science and technology in which industrial leaders have the major say. ACOST, which includes business heavyweights from companies like Rolls-Royce and British Telecom, is one result of this thinking. Another is a new official think-tank, to be financed largely by Britain's top companies, on how Britain can best exploit science and technology.

The inference of all this is that scientists in pure research who cannot show a precise link with commercial exploitation will find it increasingly difficult to gain funds. The effects are already becoming clear, as manifested by the squeals of complaint in the past year from academic scientists

No one would dispute that in many research areas close links between industry and academic scientists are important. The onus, however, should be on *industry to chase after* interesting academic work, not the other way around. University dons should be able to justify doing research on the grounds that it is scientifically appealing, not because it may at some point be commercially lucrative.

There are many examples—the invention of the electric motor and the transistor among them—of unfocused research programmes leading ultimately to huge industrial benefits. Britain's pharmaceuticals industry, the country's fourth biggest earner of manufacturing exports, has relied for its successes in the past decade on the country's research strengths in biology built up over 50 years.

Take, also, space research. Mrs Thatcher has used the general lack of interest of UK industry in extraterrestrial activities to support her case for a freezing of Britain's space budget, which is already pitifully small by international standards.

The point here is that — in much the same way as no one in 15th-century Europe could have detailed the commercial logic of discovering America—the benefits of space research cannot be visualised. Exploring beyond the atmosphere is also a valid exercise on intellectual grounds. Governments should support it in the same way as they underwrite the building of libraries or subsidise theatre performances.

One way in which proponents of the new philistinism in UK science seek to justify their proposals is by pointing to Japan. That country has made rapid economic progress in the past 30 years by channelling resources towards short-term applications of technology

Even if it were possible for Britain to copy the Japanese methods of the past, such a move would be unwise. Government and industry leaders in Japan believe that future industrial successes will depend on pure scientific work, in areas like biochemistry and materials.

Japan has realised that the best of all worlds is to produce a healthy tension between applied and pure forms of science, with the results from either side of the research spectrum available to help industry. In Britain in recent years there has been a new understanding, which is in general welcome, of how industry can achieve some of its short-term goals through working with academia. The challenge now is to ensure that nothing happens to stop the long-term studies which may benefit companies in the next century.

Letters to the Editor

Airports policy

From the Chairman and Chief Executive, Britannia Airways.

Sir,—Sir Adam Thomson (September 22) argues that the policy for Gatwick is unrelated to the proposed takeover of BCal by British Airways. Government policies over many years, however, promoted BCal as the "second force" airline, encouraging it to stay at Gatwick to compete with BA, which in turn has its own impregnable fortress at Heathrow. Without modification of the present policies for Gatwick, BA stands to inherit these very advantages which were provided to create competition against BA.

I agree with Sir Adam; the needs of business passengers must be considered fully. They do mind from which airport they fly—but so do leisure passengers who make up the majority of all ex-UK international passengers. Currently, over 80 per cent of all such passengers travel for leisure reasons and only some 16 per cent for business—and this business percentage continues to decline. To equate scheduled traffic with business is a myth and, in this case, one designed to achieve political favours for commercial ends.

That hubs are good for the consumer is another myth. Hubs are necessary, but only up to a certain point. As a generalisation, hubs are good for airlines—not passengers. Most passengers seek to fly from point to point, not via an intermediary hub.

The development of Gatwick as a major scheduled hub delays the development of direct scheduled flights from regional airports. Not only does it draw into Gatwick more lightly loaded "feeder" flights, reducing airport efficiency, but it denies provincial passengers the opportunity for more direct scheduled flights. It would also deny local residents a choice of charter services from Gatwick: their regional airport.

Today, charter airlines operate from local airports across the country. Indeed, British, charter airlines now operate nearly 400 regular routes into Europe, compared to scheduled airlines which provide half that number. It is charter which provides the competition in Europe today. A study of scheduled fares shows that on those routes where there is no charter competition, fares are about 40 per cent higher per passenger mile than on routes where there is significant charter competition.

Another myth is the conclusion that anyone living north of the Thames should fly from Luton or Stansted. The Thames is a somewhat arbitrary dividing line. Even Victoria Station which feeds Gatwick is north of the Thames, as is the West End and the City of London!

Sir Adam argues that many charter operations only use slots for short peak periods and these should be moved to make way for additional scheduled services. There is no need for any such legislation. The existing, internationally agreed and practised, slot allocation system already takes account of such situations.

The business passenger has genuine needs at Gatwick. So, too, does the leisure passenger. Reconciliation of these sometimes conflicting needs is the difficult task ahead. In seeking resolution, it is essential to consider the needs of the passengers rather than any narrow, sectional, commercial interests.

The future policy for Gatwick is inextricably linked with the BA/BCal merger. Consumer interest demands a solution allowing scheduled and charter flights at Gatwick to operate on an equal basis.

D. H. Davison,
Luton Airport, Beds.

The housing market

From Mr N. Bowie.

Sir, — If the Government is seriously minded to restore the rented housing market it needs to make some radical changes and not just tinker with it as Mr Ridley has done in the White Paper.

Landlords, as Mr Ridley correctly states, need an adequate return on the capital employed, but the resulting rent is right out of reach of the ordinary person with a modest income in relation to what they can afford to pay.

The remedies are simple: release much more land with some increase in densities so that prices fall as the land content in a house price comes down to an economic level of say 20 per cent of the total price; place the tenant in the same fiscal position as the house buyer and allow rent up to say £3,000 pa to be a tax deductible allowance; and, allow the owner to depreciate the building cost against rent over say 60 years.

If this is done, once again the people in the country will enjoy a free market and be able to choose where to live at a price — buying or renting — they can afford. At the same time pressure on earnings due to the unrealistic rise in house prices will vanish.

N. W. Bowie,
1 Uplands Close SW14.

Self-regulating codes

From Mr P. Circus.

Sir,—In an otherwise excellent article on self-regulation (September 24), Feona McEwan makes some concluding remarks which, while true of the ICC codes, would be misleading if readers took them to be comments related to self-regulation in general.

She says that self-regulation is seldom able to exercise sanctions on members. In fact, a whole variety of sanctions exist in relation to self- regulatory codes, ranging from expulsion from a trade association to adverse publicity. Anyone who has experience of business will know how potent a sanction the latter is.

The advertising industry, for example, has a particularly successful system of self-regulation, to a large extent because of the willingness of the media to withhold space from an advertiser who breaches the rules.

Feona McEwan says that self-regulatory codes have little or no influence on non-members. While this is, I accept, a traditional argument against self-regulation, it can be taken too far. There are numerous instances of reputable traders who, although not in membership of a particular trade association, nevertheless adhere to the standards encapsulated in the association's code of practice. So, for example, although the Radio Times is not in membership of any of the sponsoring bodies of the advertising self-regulatory system, it nevertheless supports the British Code of Advertising Practice and insists that advertisements must comply with its standards.

We must not overlook the way in which a code of practice can set the parameters of what is considered fair trading within an industry. This was illustrated by a recent case under Part III of the Fair Trading Act where the court demanded that a trader complied with the relevant trade association code, even though the trader was not a member of that association.

The important point is that the role of the ICC code has largely been that of providing inspiration for national systems of self-regulation. Accordingly, it stands to be judged on somewhat different criteria to those which would apply to a national system with a major adjudicatory role.

Philip J. Circus,
(Director for Legal Affairs),
Institute of Practitioners
in Advertising,
44, Belgrave Square SW1

Uncovered market

From Mr R Butt

Sir,—I have come across a number of references lately regarding the value of the services of a housewife in running a home and looking after children. The most recent of these was to a Legal and General report giving an annual "value" of £20,000.

Recently, I have been seeking additional life and private health insurance cover for my wife to match our changing circumstances. My major findings are that while appropriate life cover is available to this quoted "value," it is apparently not possible to obtain corresponding PHI cover. The reason given is that it is difficult to "verify" claims on a PHI policy from a non-wage earner.

I believe that the insurance industry may be missing an opportunity here in being unwilling to provide the "complete" cover represented, for instance, by the combination of term assurance and PHI.

R. J. Butt.
*48, Blenheim Avenue,
Gants Hill,
Ilford, Essex.*

BT easy pay ploy

From Mr B. Bosworth

Sir,—It is good to read that British Telecom is now making profits *although it is a pity* that efficiency and good customer service has nothing to do with it. Its latest ploy, however, to improve profits seems underhand.

My secretary has received her domestic telephone bill amounting to £45.50. At the end of the bill there is a note "Pay nothing now. Pay by budget account at £20.00 per month. (APR 0%) First payment October."

APR 0%—when it is asking for £60 per quarter for a £45.00 bill! How many customers will fall for this easy payment plan ploy and find themselves overpaying their bills? British Telecom will, of course, repay the credit but it will be making a fortune in earned *interest* in the meantime.

Bruce N. Bosworth.
*22a Worcester Road,
Hagley,
Stourbridge,
W. Midlands.*

FINANCIAL TIMES
Friday October 2 1987

David Gardner describes how Mexico's ruling party maintains its grip on power

Revolutionary way to choose a president

MEXICO'S long-ruling Institutional Revolutionary Party (PRI) is preparing a show of monolithic unity behind whoever President Miguel de la Madrid chooses as his successor in the imminent ritual "unveiling" or *destape* through which the regime perpetuates itself.

It is a system with little pretension to democracy. Since the 1910-17 Revolution was taken out of the hands of fractious military *caudillos* and "institutionalised" by the PRI in the 1930s, the incumbent president, obliged by law to step down after a single six-year term, has chosen his successor through what is known formally here as "*auscultation*" - literally, the soundings a doctor takes with his stethoscope.

Factions and barons inside the ruling party emit opinions along the presidential stethoscope. The most powerful among them can even exercise a veto.

According to party officials, all 32 provincial branches in each of the PRI's corporatist "three sectors" - the unions, the peasantry and the so-called "popular sector" made up largely of 4m bureaucrats - will pronounce unanimously for a presidential choice yet to be revealed to them.

The race, largely hidden from public view, is between six cabinet ministers. The front-runners, in what now looks the likely finishing order, are Mr Carlos Salinas de Gortari, the Planning Minister, Mr Alfredo del Mazo, the Energy Minister and Mr Manuel Bartlett, the Interior Minister.

The apotheosis of the man who, in a singular display of retroactive determinism, will be transformed into the *jefe nato* or "born chief" of the 70-year old Revolution, could occur at any moment but is most likely to take place early next week.

Mexico's presidential front-runners (from left) Carlos Salinas de Gortari, Planning Minister, Alfredo de Mazo, Energy Minister, Manuel Bartlett, Interior Minister

This will allow the PRI to continue with what are now daily displays of corporatist muscle. On Monday, for instance, 1,500 PRI hierarchs gave a breakfast of homage to Mr de la Madrid, bringing together every party and union baron in Mexico, except the regime's three wild cards.

The first of these is Mr Cuauhtemoc Cardenas, the son of revered 1930s President Lazaro Cardenas and leader of the dissident Democratic Current movement. He is demanding that a rank-and-file vote decide the PRI's choice, and may yet stand as an opposition candidate, causing the most serious split in the regime since his father left office in 1940.

The second, Mr Jesus Silva Herzog, the charismatic former Finance Minister, had been tipped to be the next president until he resigned 15 months ago in a dispute over foreign debt policy. He created a scare by flirting with the Cardenas faction.

The third wild card is the former PRI president Mr Javier Garcia Paniagua, who gracelessly lost the 1981 succession contest and has army connections with which some columnists occasionally try to frighten the technocrats dominating Mr de la Madrid's government.

The three, palpably second division cabinet ministers among the six PRI "pre-candidates" are there largely as compromise options in case this happens, and to create the illusion of the sort of contest sought by the Cardenas faction.

But even though the successful candidate will be confirmed at the polls next July by the electoral machines of the "three sectors", the real election is the prerogative of the president alone.

This cabalistic system is likened by many observers to a papal succession, though the "cardinals", as presidential aspirants are known, are at this stage outside the conclave of one, anxiously awaiting the puff of white smoke.

Although it is intended that most Mexicans be mystified by all this, seasoned regime cryptologists insist that each succession has an internal logic, which in this case appears to favour Mr Salinas.

The diminutive Planning Minister, aged 39, looks to be the best guarantor of the Thatcherite structural economic reforms which are the raison d'etre of this government but which require at least another three years' perseverance to take root. Neither Mr Bartlett, aged 50, nor Mr del Mazo, aged 43 and the obvious front-runner after Mr Silva Herzog's demise, appear wholly persuaded of these reforms.

Both men, on the face of it, seem stronger political candidates than Mr Salinas. Mr del Mazo, like Mr Salinas personally close to the president, has governed the State of Mexico, a microcosm of the country, has a background in private and state banking, the support of "Don Fidel" and of some of the PRI's most powerful clans.

Mr Bartlett is, by function, the regime's political operator, favoured by old guard politicos who want the power of the technocrats rolled back. Though reviled by the left and right-wing opposition as responsible for rigging state elections, he has nonetheless largely kept the social peace through Mexico's worst economic crisis for half a century.

However, it has been members of Mr Salinas' team - by far the strongest of the three intellectually and with some political heavyweights on board - who have come down to street level to debate with the Democratic Current, in a series of newspaper articles rebutting the dissidents' attractively populist calls for a moratorium on the foreign debt.

Mr Salinas seems to have the liveliest sense that these kinds of skills will be at least as much in demand as the PRI's traditional corporatist abilities if the party is to regain the confidence of a society which is much more critical, demanding and informed than the regime is used to.

Connoisseurs of the regime, however, warn that all this is mere logic, to which what Mr Bartlett amiably describes as "the magic, interior world of the PRI" may prove resistant.

THE LEX COLUMN

Not quite sweet enough

It is rare for the shares of a bidder to rise when it launches a takeover. But the 27p jump in Associated British Foods' share price yesterday, to 370p, is just a foretaste of what would happen if it succeeds in its bid for S & W Berisford. In the market's view, ABF's desperate need is to swap the relatively low returns on its £1bn of cash - particularly if the gilt market is turning ugly - for some real earnings. Any purchase on a multiple of less than 18 would enhance ABF earnings. If ABF won at the 400p offered yesterday, Berisford's exit p/e would be around 12 times earnings for the year just ended and the effect on AB Food's earnings per share in 1988-89 would be dramatic.

But ABF is unlikely to secure Berisford at that price, if only because the target will put up a lively defence. True, the quality of Berisford's earnings is not good, often boosted by one-off gains. And Berisford's gearing is high, even if much of the debt relates to short-term positions taken by its commodity trading operation. Berisford's agreement with Ferruzzi a year ago effectively valued British Sugar at £607m, and it should be worth more to ABF. Since ABF's bid puts a price of £767m on Berisford, it suggests the rest of the group is worth £160m at most. Although some of the bits might prove hard to sell, they ought to fetch more than that. While ABF may be prepared to increase its offer somewhat, its style is not to overpay for anything; and if Berisford's defence boosts its share price far enough, ABF may turn from buyer to seller.

Plessey/GEC

The welcome news from Plessey and GEC may have taken a long time coming but at least the telecommunications merger is unexpectedly expansive in conception. Not only is the yoke of System X competition lifted, but capital and minds are to be banged together across the range of less troubled and potentially more profitable products.

The unfortunate tweak to boardroom pride provided by the GEC bid has for far too long delayed the inevitable on System X. The cost of that delay should not, however, be exaggerated given the wide extent of actual collaboration; and thus the prospects for instant improvement in domestic or overseas sales will not be that rosy. Talks are still at an early stage in the other areas of rationalisation and development and indeed on the management structure, but clearly the early announcement of the principle bodes well.

The deal obviously has more serious implications for Plessey, for whom telecoms represent over half of operating profits compared with less than 20 per cent for GEC. That ought to be reflected in the share price in the short term. Plessey is pocketing £45m from GEC and swapping a 100 per cent stake in one small telecommunications business for 50 per cent in a larger and, with luck, more dynamic one. If that is not good enough, then the fact that Plessey must have become a more attractive bid target - at least to the likes of STC - might count for something.

Burmah/Calor

The proposed bid for Calor is not wholly a surprise - especially to the clairvoyants who bought just ahead of the announcement - but it has a perplexing number of angles. The main question is whether, or how, Burmah and SHV of Holland would propose to carve Calor up. The ideal for Burmah shareholders would probably be an upstream/downstream split, with Burmah taking the whole Calor bottled gas business and SHV taking Calor's 58.8 per cent holding in Century Power and Light. But SHV has its downstream gas interests too, and its 29.9 per cent stake in Calor - previously seen as blocking a bid - gives it a powerful bargaining position.

The attraction of putting Calor together with Burmah's Castrol business lies in their similarity. Just as most of Castrol's business is straight motor oil, cleverly branded and marketed, so Calor has managed the remarkable trick of giving its own brand name to ordinary LPG. And since Calor is essentially a UK business, its earnings would cover the £10m or so of unrelieved ACT which Burmah is likely to be facing this year. On that basis, Burmah could probably pay 600p (the shares closed yesterday at 549p) without earnings dilution.

Whatever Burmah gets out of it, the deal should be good news for Carless, which owns the 41.2 per cent of CPL not owned by Calor. If Carless does not end up buying the rest of CPL, it could sell its own stake at a profit. And if it comes to real horse-trading in upstream assets, might SHV be interested in Burmah's 25 per cent stake in Premier?

Eurotunnel

Eurotunnel and its financial advisers are desperate that next month's £750m equity issue, which will finally determine whether the project ever sees the light of day, is not a repeat of last year's fiasco. The previous capital-raising exercise was dogged by uncertainties about the outcome of the UK election, and unhappiness with the calibre of the management team. The fact that these concerns have since evaporated, combined with a 50 per cent rise in the UK equity market, has produced a dramatic improvement in sentiment towards the project; and while the British contingent is not going quite as far as the French, who are calling it the biggest "tollbooth" in the world, there is a danger that would-be investors may get carried away with all of the media hype in the run-up to the offer.

The City is increasingly confident that the project's construction risks do not present a problem, but even so there is a danger that investors may be hoodwinked into overlooking the very real commercial risks once the venture is up and running in 1993. Some of the marketing barrage looks more suited to a privatisation giveaway than to a unique and as yet non-existent project. With the UK economy growing at 3 per cent a year, low inflation and sympathetic Governments on either side of the Channel, Eurotunnel's prospects look rosy. But this happy scenario may not always hold true - though at least Eurotunnel's shares will have a quote, so it will be possible to bail out if the going gets rough.

Fiji faces uncertain future as a republic

BY CHRIS SHERWELL IN SUVA AND ROBERT MAUTHNER IN LONDON

FIJI began an indefinite period as a military autocracy last night after Colonel Sitiveni Rabuka, the armed forces commander, formally revoked the 1970 constitution and prepared to transform the South Pacific state into a republic dominated by ethnic Fijians.

The move came six days after the military ruler seized power in his second coup in five months. Short of an upset in the next few days, it appeared to extinguish hopes of a political solution to the protracted crisis.

The fate of Ratu Sir Penaia Ganilau, the Governor-General, who continues to resist the move, remained unknown last night. The country's key allies - Britain, Australia and New Zealand - said they still recognised his authority, contradicting Col Rabuka's other major assertion yesterday that he was now head of state as well as head of government.

The Queen yesterday made it clear that she continued to regard Ratu Ganilau as the sole legitimate source of executive authority in Fiji.

A statement issued by Buckingham Palace said Ratu Ganilau, who was still at his post, had again been in touch with Sir William Heseltine, the Queen's Private Secretary. Although the statement did not disclose details of the conversation, it said the Queen was following developments in Fiji closely.

"In these circumstances it would not be helpful to make any comment on the latest of the series of statements by Colonel Rabuka," the statement added.

Col Rabuka said the formal proclamation of a republic would be made with the new constitution now being prepared. He said he hoped this would happen on October 10, the 17th anniversary of the country's independence.

Fiji now enters a fresh period of tension and uncertainty. A confused Dr Timoci Bavadra, the former Prime Minister, whose newly elected government was ousted by Col Rabuka in May, was last night considering his response.

The country's Indian community, numbering 49 per cent of the 720,000 population, faces searching questions about its future, as do civil servants and the almost entirely Melanesian military officers.

The Government's finances have become desperate, and foreign aid cuts or trade sanctions will compound the problems. Col Rabuka warned yesterday of tough economic measures to "survive this difficult time".

Most of the country's friends and neighbours will be forced to review their ties, and Fiji's future membership of the Commonwealth is clearly at risk.

Sir Shridath Ramphal, the Commonwealth Secretary-General, also issued a statement saying it was not too late for the military leaders of the coup "to turn away from a path which carries the seeds of the country's disintegration and to follow instead the way of consensus which the Governor-General had laboriously prepared".

On Fiji's membership of the Commonwealth Col Rabuka said if this was revoked "because we are trying to resolve our own internal problems in our own way, then sadly so be it". He made a pointed reference to India's continued Commonwealth membership despite its invasion of East Pakistan to establish the republic of Bangladesh in 1971.

Col Rabuka thought the planned resumption of Wednesday's four-cornered talks would go ahead on Monday. But he indicated the other parties would have to agree to the main constitutional changes for which he was fighting.

Fiat views venture into TV market

By Alan Friedman in Milan

THE ITALIAN business empire headed by Mr Gianni Agnelli, chairman and major shareholder of Fiat, yesterday announced an agreement that is likely to see it moving into the television market.

The move could, however, run into political or legislative obstacles. Advance word of it in recent weeks has already sent a tremor through the Rome political establishment which is concerned about Fiat having too much power in the print media.

The Rizzoli-Corriere della Sera (RCS) publishing concern, which is 62 per cent owned by Fiat's indirectly held Gemina investment vehicle, has won a 12-month option to buy 50 per cent of Telemontecarlo, the Monte Carlo-based Italian language television network which broadcasts into Italy.

RCS has acquired the option from Rede Globo, the Brazilian media group that owns 90 per cent of Telemontecarlo. A further 10 per cent of Telemontecarlo is owned by RAI, the Italian state television network, which has dropped hints about possibly trying to veto the entry of Fiat into the television market.

RCS is providing Rede Globo's European division with a L32bn ($24.1m) three-year loan which RCS described yesterday as being "at market rates and with real counter-guarantees." If RCS exercises its option within the next year this loan would become part of a payment expected to range between L50bn and L70bn for the 50 per cent stake in Telemontecarlo.

The deal calls for RCS and Telemontecarlo to begin a programme of collaboration on the advertising side of the business. The political concern in Rome however appears to focus on Fiat being able to get control of news broadcasting.

Telemontecarlo, because its transmitter is based outside Italian territory, operates a live nightly news broadcast, something which the private commercial television empire of Mr Silvio Berlusconi is barred from doing.

Mr Giorgio Fattori, managing director of RCS, said there were no plans at present to become involved in the news side of Telemontecarlo. He said the one-year option had been agreed because of the confused state of legislation on Italian media ownership.

Gorbachev offers to cut naval activity

Continued from Page 1

ern fleet on the Kola Peninsula.

Under Mr John Lehman, Secretary of the US Navy for the Reagan administration's first six years, the US began to practice forward deployments of aircraft carrier groups and submarines in the north Norwegian Sea

the aim of thus deploying major elements of the US Second (Atlantic) fleet - which includes 31 ballistic missile firing submarines, 50 hunter killer submarines, four carriers, and nearly 100 major surface ships - in this way in time of tension or war would be to neutralise the Soviet northern fleet, based at Severomorsk, before it could fan out into the Atlantic and hit Nato convoys. That Soviet fleet, according to the international institute for strategic studies, has 117 sumbarines and 73 main surface warships.

Not all Nato countries have been happy with the Lehman strategy. Norway, in particular, has felt it to be provocative to the Russians, and has tried on occasion to restrict the US presence near its sensitive border with the Soviet Union. For instance, last year Norway banned some US F-111 fighter-bombers from landing on its soil during a nato exercise.

UK opposition leader tries to shift party from unilateralism

BY PETER RIDDELL, POLITICAL EDITOR, IN BRIGHTON

MR NEIL KINNOCK, leader of Britain's Labour Party, yesterday sought to shift the party's non-nuclear defence policy away from unilateralism as Labour's annual conference passed contradictory motions on the issue.

The debate was the most heated of the week and marked by strong attacks by party leaders on Mr Ken Livingstone, the left-wing Member of Parliament, for warning about a 'civil war' if the party's non-nuclear commitment was abandoned.

Labour's defence policy was widely blamed as a major factor in the party's 1983 and 1987 election defeats.

At the end of a confusing day of policy made by television interview and of conflicting decisions on the conference floor, party leaders, including supporters of multilateral disarmament, claimed that Labour was starting to move away from outright unilateralism under the cloak of waving the non-nuclear banner. They also detected a shift in position by Mrs Joan Ruddock, a new MP and former chairman of the Campaign for Nuclear Disarmament.

Mr Kinnock reaffirmed in his interviews that the objective of a non-nuclear Britain remained but added that, by the time of the next election, Britain's Trident missile system could be used as part of the negotiating process to reduce arms. He noted that Soviet leaders had told Labour they would agree to an equal missile-for-missile reduction leading to the disappearance of the current Polaris system and he thought that kind of approach might be applied to Trident.

Mr Kinnock's advisors stressed that this was one input to the forthcoming policy review but conceded that the term 'unilateral' was no longer applicable.

These comments overshadowed the conference votes. The delegates approved, in both cases by overwhelming majorities, motions reaffirming the party's commitment to 'unilateral nuclear disarmament including the removal from British soil and waters of all nuclear weapons and nuclear bases within the lifetime of the next Labour government' and called for 'a working party to review the timetable and negotiating strategy through which the next Labour government would advance our non-nuclear defence policy within Nato.'

The leadership naturally focused on the second motion as opening the way for the policy review, while treating the first as merely one of the options to be considered. Several speakers, however, emotionally reaffirmed their support for unilateralism.

There was particular interest in the contribution of Mrs Ruddock, regarded as both a popular figure and symbol of the drive within the party towards disarmament. She said that, while Trident should not be kept on station by a Labour government, there was 'nothing wrong in using Trident politically.' She said that a British initiative to drop Trident could be followed by demands for matching action from the Soviet Union.

Some party leaders regarded the speech as a significant shift, blurring the meaning of the terms unilateralist and multilateralist. She later made clear that she regarded the ending of Trident as an unconditional action which would occur whether or not the Soviet Union responded. And she acknowledged that this separated her from many in party's leadership.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	20	68	Malta	R	22	72	Rhodes	S	31	88
Algiers	S	27	81	Edinburgh	S	13	55	Manchester	F	14	57	Rio de J'o	-	-	-
Amsterdam	S	15	59	Faro	S	24	75	Manila	-	-	-	Rome	S	23	73
Athens	C	24	75	Florence	S	19	66	Melbourne	F	13	55	Salzburg	S	14	57
Bahrain	S	34	93	Frankfurt	S	14	57	Mexico City	-	-	-	San Francisco	S	12	54
Bangkok	S	35	95	Funchal	F	25	77	Miami	C	25	77	Seoul	S	25	77
Barcelona	C	20	68	Geneva	S	14	57	Milan	F	17	63	Singapore	F	30	86
Beirut	C	29	84	Gibraltar	F	23	73	Montreal	C	9	48	Stockholm	S	12	54
Belfast	S	13	55	Glasgow	S	15	59	Moscow	C	9	48	Strasbourg	S	15	59
Belgrade	F	15	59	Guernsey	S	15	59	Munich	S	12	54	Sydney	S	17	63
Berlin	F	11	52	Helsinki	S	14	57	Nairobi	C	25	77	Taipei	-	-	-
Biarritz	C	16	61	H. Kong	R	24	75	Naples	S	20	68	Tangier	S	26	79
Bombay	S	35	95	Innsbruck	S	14	57	Nassau	-	-	-	Tel Aviv	S	30	86
Bordeaux	R	15	59	Inverness	C	13	55	New Delhi	S	33	91	Tenerife	S	27	81
Brussels	S	15	59	Islamabad	-	-	-	New York	S	13	55	Tokyo	C	22	72
Budapest	F	14	57	Istanbul	R	16	61	Nice	F	21	70	Toronto	S	13	55
B. Aires	C	20	68	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	F	22	72
Cairo	S	34	93	Jersey	S	17	63	Oporto	C	21	70	Valencia	F	25	77
Cape Town	F	13	55	Jo'burg	F	21	70	Oslo	S	11	52	Venice	S	17	63
Caracas	C	27	81	Lima	-	-	-	Paris	S	17	63	Vienna	F	12	54
Casablanca	S	25	77	Lisbon	F	22	72	Peking	-	-	-	Warsaw	S	10	50
Chicago	C	6	43	London	S	16	61	Prague	F	17	63	Washington	S	12	54
Cologne	S	15	59	Los Angeles	S	19	66	Reykjavik	S	9	48	Zurich	C	7	45
Copenhagen	S	13	55	Luxembourg	S	13	55								
Corfu	F	22	72	Madrid	F	22	72								
Dallas	S	11	52	Majorca	R	19	66								
Dublin	S	14	57	Malaga	F	25	77								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

ABF launches cash bid for Berisford

Continued from Page 1

capitalisation of close to £2.5bn.

The bid signals the largest contested takeover battle between two UK companies since BTR, the industrial conglomerate, dropped its £1.2bn offer for Pilkington, the glassmaker, in January.

ABF said it would concentrate on Berisford's food operations, including British Sugar, which dominates the UK market with a 55 per cent share. Other "cash-absorbing" activities, including commodity trading, property development and financial services, had little to contribute, it said.

Mr Garry Weston, ABF chairman, declined to speculate whether he would consider a bid just for British Sugar or selling the non-food activities back to Berisford management if the bid was successful.

He said: "The management of that company has proven so elusive to so many suitors, I don't think it's worth even entertaining that hope." Mr Henry Lewis, Berisford deputy chairman, stated firmly: "British Sugar is not for sale."

Berisford described the offer as "an opportunist attempt to exploit a minority stake acquired from previously unsuccessful bidders and to try to buy Berisford on the cheap." ABF bought the shares from Ferruzzi for 293p.

Leaving principle aside, Charterhouse Bank, advising Berisford, described the offer price as "not remotely interesting." Ferruzzi's blocked offer last year valued British Sugar alone at more than £600m. County NatWest is advising ABF.

The bid came less than two weeks after Tate agreed to sell its nearly 15 per cent stake in Berisford for 348½p per share to the company's directors and the Chicago-based Pritzker family, owners of the Hyatt hotel chain

FINANCIAL TIMES
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Hill Samuel in takeover discussions with TSB

BY CLIVE WOLMAN IN LONDON

HILL SAMUEL, the troubled British merchant bank, yesterday suspended dealing in its shares on the London Stock Exchange while its executives were locked in complex negotiations with the Trustee Savings Bank banking group (TSB) and the securities firm, Barclays de Zoete Wedd, over the terms of a takeover bid.

The shares were suspended at a price of 705p after rising sharply during the morning from 684p. Any announcement of an agreed bid, although possible today, is likely to be delayed until Monday to allow some of the deal's details to be hammered out over the weekend.

The price of the bid is likely to be substantially above the 745p-750p-a-share offer for Hill Samuel made by the British advertising agency Saatchi and Saatchi, which was rejected by the Hill Samuel board two weeks ago. The offer valued the company at £690m ($1.12bn).

Under the agreement now being negotiated, the TSB would acquire the investment management, life insurance and unit trust operations of Hill Samuel while BZW would acquire the corporate finance department.

A home has also been found for Wood Mackenzie, the securities firm with a strong research team which was acquired by Hill Samuel last year, possibly with a US institution. But no details of the arrangements for Wood Mackenzie or for the insurance broking, employee benefits and shipping businesses of Hill Samuel emerged yesterday.

Last month Hill Samuel dismissed the head of its corporate finance department, Mr Trevor Swete, and his deputy, Mr Christopher Roshier, for negotiating the sale of Hill Samuel's corporate finance department to BZW.

In August discussions over the possible acquisition of Hill Samuel by the Union Bank of Switzerland, a move which was strongly supported by the board, ended in failure after UBS said it was no longer interested in acquiring the group.

CBS studies record unit future

BY OUR FINANCIAL STAFF

CBS, the US media group which has been undergoing a large restructuring, said yesterday it was studying several courses of action for CBS Records Group, the unit which Sony, the Japanese consumer electronics group, is seeking to acquire.

The statement by CBS followed intense speculation on Wall Street that a sale might be announced. CBS stock jumped $9¾ to $225¾ on Wednesday, but the market appeared less certain yesterday, and investors took profits. After the statement the company's stock was down $1¾ to $224.

The aim is to "maximise shareholder value in the short and long term," CBS said in its short statement yesterday.

"Further consideration by the CBS board is planned at its regularly scheduled meeting on October 14," the company said.

The company added that its board had held a special meeting early yesterday to consider the future of the records unit, which Wall Street believes could be worth $1.25bn in a sale and whose recording talents include rock star Bruce Springsteen.

Sony first approached CBS in mid-September, expressing an interest in a sale.

The unit has been a star performer at CBS, helping earnings at a time when the CBS Broadcast Group was under pressure. Analysts have said Sony would benefit by the acquisition of a record company, complementing its business in audio electronics.

JMB raises Cadillac Fairview offer

BY DAVID OWEN IN TORONTO

JMB REALTY, the Chicago-based property company, has changed to C$26.95 in cash the purchase price it will offer for each of 5.2m outstanding Cadillac Fairview warrants under its previously announced C$34-a-share or C$2.6bn (US$1.98bn) takeover of the Toronto property developer.

In July JMB had said that it would purchase the warrants for C$24.25 each plus one quarter of a second preference share in its CFCL Acquisition Corp unit.

The outstanding warrants are exercisable into common shares at C$9.75 a share until next August 31.

The move follows JMB's C$100m reduction in the terms of its proposed acquisition in July because of coming changes in Canadian corporate taxation announced in June by Mr Michael Wilson, Finance Minister.

Cadillac Fairview announced last autumn that the company was for sale and that its principal shareholders, the Bronfman family of Montreal, were willing to sell their shares at the right price.

Rorer stock agreement ends threat to Robins

By James Buchan in New York

A THREAT to the reorganisation of A H Robins, the pharmaceuticals company operating under Chapter 11 of the US bankruptcy code, fell away yesterday with the agreement, by important family shareholders, to their part of an $880m exchange of stock with Rorer, an aggressive maker of non-prescription drugs.

Yesterday's announcement opens the way for a $1.77bn settlement with the hundreds of thousands of women who drove Robins into bankruptcy with claims of severe injury from the company's Dalkon Shield intrauterine contraceptive device.

It should permit the creation of the sixth-largest US over-the-counter drugs company, combining such well-known products as Robitussin cough medicine, Chap-Stick lip salve and Maalox antacid.

In late-night negotiations on Wednesday, lawyers for Mr Claiborne Robins and his son, Mr Claiborne Robins Jr, finally accepted Rorer's terms for the large block of Rorer stock they will receive for their 41 per cent of Robins.

The two men, who are chairman and chief executive, have already approved the merger as board members.

They had apparently left open a threat to seek control of the merged company or sell out to a hostile bidder if Rorer did not indemnify them against personal liability for the Dalkon Shield.

Their demand caused Judge Robert Merhige, the bankruptcy court judge who has frequently criticised the two men, to suggest they resign from the Robins board because of potential conflict of interest.

Rorer said yesterday that the Robins had agreed not to add to their holding and settled terms for any future "orderly disposal."

Andrew Baxter looks at Premark International's debut tour of Europe in search of investors

New kind of Tupperware party in London

A SERIES of somewhat unusual Tupperware parties is being held in Europe this week as Premark International, one of the two major US companies that emerged from last year's dismemberment of Dart & Kraft, made its debut trip around the Europe's financial centres.

Premark, formed last October with 22,000 employees and worldwide sales of $2bn, is the inheritor of the 25-year-old range of Tupperware plastic kitchen equipment sold by more than 300,000 independent dealers working on commission.

Its name stands for "premier trade marks" to denote brand names such as West Bend housewares and Hobart catering equipment.

Yesterday, however, in the slightly less-than-homely setting of Painters Hall, City brokers and institutional investors were being wooed to buy shares in Premark rather than tubs to put in their fridge-freezers.

To aid the process, shares in Premark began trading in London yesterday as the company attempted to broaden its investor base in recognition of its international emphasis.

Around 5 per cent of shares are held outside the US, a number which the company would like to increase, while 38 per cent of the $1bn in first-half sales were international.

Mr Warren Batts, chairman and chief executive, said that the decision to separate the businesses, now owned by Premark, from the Kraft food interests had been proved correct.

"Being diversified was no longer an asset," he said of the former Dart & Kraft combine. "Without question our businesses were not performing at a peak."

To address this, Premark was focusing on improving marketing and cost controls, particularly in the US Tupperware business, where increased competition and a general downturn in the direct selling industry from 1983 have reduced profits.

Mr Batts said big efforts were being made to improve the design and broaden the uses of Tupperware products, including a move into Tuppertoys for pre-school children.

With US women going out to work in increasing numbers, and therefore unable to hold parties during the day, sales demonstrations were now being held before and after work, at child care centres and even at laundrettes.

Despite these efforts, however, Tupperware sales in the US, where the company has a 70 per cent market share, will be flat this year. In contrast, the international Tupperware business is performing strongly – unit volumes were up 10 per cent in the first half – and growth prospects are better because penetration of the market is still only a third of the US level.

This helped Tupperware contribute 49 per cent of Premark's $89.7m in first-half operating profits, emphasising the importance for Premark of reinvigorating the range.

For Premark as a whole, net income is expected to be about the same this year as the $60.8m earned last year, which excludes $148m of writedowns, but earnings are expected to accelerate next year as a result of actions taken in the current transitionary period.

KRAFT REPURCHASE

KRAFT, the major US foods group formed from the division of Dart & Kraft, said it might repurchase up to 10m common shares from time to time in open market and privately negotiated transactions. Kraft has 135.7m shares outstanding, and at current market prices the repurchase of 10m shares would cost around $550m.

Kraft, whose products include processed dairy lines, packaged dinners and salad dressings, said the repurchased shares would be held in its treasury and be available for general corporate purposes.

Adia boosts earnings and raises dividends

BY JOHN WICKS IN ZURICH

ADIA, the Swiss-based, temporary employment group, proposes to increase its dividend, carry out a rights issue and make a further international placement of bearer participation certificates.

The parent company in Lausanne recorded a 41 per cent rise in net profits for the business year ended June 30 to a record SFr32.1m ($20.98m).

The board will recommend payouts of SFr80 per bearer share, SFr40 per registered share and SFr8 per participation certificate.

At the same time, the company, whose interests include Alfred Marks of the UK, intends to mark its 30th anniversary by paying special bonuses of SFr10, SFr5 and SFr1 for the three equity categories.

Holders of the beneficiary certificates known as "baby Adia" will receive a dividend of SFr4 and an anniversary bonus of 50 centimes.

Without giving details, Adia says it plans to issue Swiss franc bonds with linked equity warrants as a rights issue to existing holders of shares, participation certificates and "baby Adia" certificates.

The Adia group, now the world's second-biggest in the temporary employment sector, expects consolidated turnover to rise from SFr1.6bn last year to more than SFr2bn in 1987.

Swiss retailer plans SFr77m rights issue

BY OUR ZURICH CORRESPONDENT

INTERDISCOUNT HOLDING, the Swiss retail group, is to raise about SFr 77m ($50m) by a rights issue, at the same time restructuring its share and participation-certificate capital.

The initial capital transaction foresees the doubling of the nominal value of existing bearer and registered shares and participation certificates to SFr400, SFr200 and SFr40, respectively.

Subsequently, the registered shares would be split, thus doubling the number of this category, while leaving that of bearer shares and participation certificates unchanged.

At the same time, a total of 14,520 new bearer shares of SFr400 nominal value would be offered at SFr4,400 each. Holders of 20 registered shares of 10 bearer shares would be entitled to one of the new bearer units.

The Fribourg-based concern also plans 27,500 new participation certificates of SFr40 nominal value at a unit price of SFr440 at a rate of one for 10 existing certificates.

At its October 22 general meeting, the board is also to propose increasing dividends for the year ended June 30 from SFr50 to SFr55 per bearer share, from SFr25 to SFr27.50 per registered share and from SFr5 to SFr5.50 per certificate.

Baltica sells reinsurance operation for $169m

By Hilary Barnes in Copenhagen

BALTICA, the Danish insurance group, is selling its reinsurance business, Baltica Nordiske-Re, to Employers Reinsurance, a Kansas City-based subsidiary of the General Electric Corporation, for DKr1.2bn ($169m).

Baltica is one of the two biggest Danish insurance groups, with premium income of DKr5.9bn. Nordiske-Re has about 150 employees and the bulk of its business is conducted in Scandinavia.

Mr Peter Christoffersen, Baltica's chief executive, said that Nordiske-Re, after losing substantial sums in the US in 1985, had recovered and was expected to show a profit of about DKr100m this year.

He added, however, that reinsurance had become an extremely risky business, requiring a global organisation and considerable investment, for which Baltica had neither the experience nor the expertise.

Baltica plans to use the proceeds of the sale to streaghthen its position in Europe.

Forenede Papir

A REPORT in the FT of September 23 referred to the purchase by Stora of a shareholding in Forenede Papirfabrikker for DKr160m. This sum is equivalent to $22.9m, not $13.9m, as we incorrectly stated.

The big trading group is making waves in the US. **David Dodwell** reports

Jardine spotlight homes in on Wall Street

FOR BRIAN POWERS, the New York merchant banker who was poached by Hong Kong's Jardine Matheson barely 18 months ago to orchestrate strategic growth in a group that had faced nothing but strategic retreat for three years, there must have been peculiar pleasure in returning "home" to unveil the purchase, worth $391m, of a 20 per cent stake in Bear Stearns, the Wall Street securities house.

When he left James Wolfensohn, one of New York's most select "boutique" merchant banks, to join Jardine there must have been many colleagues who wondered what on earth he was doing, moving to an out-of-the-way place like Hong Kong to join a barely-known group that for three years had been among the world's corporate walking wounded.

To return to New York as managing director of Jardine Strategic Holdings to announce the group's emergence as a principal investor in such a substantial US banking group was the perfect way to put the cynics and sceptics in their place.

To suggest that Mr Powers alone was the architect of this week's purchase is overstating his clout.

Henry and Simon Keswick, the brothers who represent the interests of a family that has controlled Jardine Matheson since the buccaneering days of the opium wars, and Rodney Leach, imported two years ago from Jacob Rothschild, also played critical roles in strategic planning.

But there can be no figure inside the group so strongly identified with its growth strategy, with the corporate restructuring that gave birth to Jardine Strategic, and with the self-assurance that has returned so fast to a group that four years ago was technically bankrupt.

While still at Wolfensohn, Mr Powers sold for Jardine its sugar interests in Hawaii, then acquired for the group its Pizza Hut franchises across the US and the insurance broking group Emmett and Chandler.

Small wonder then that since joining Jardine he has continued to bring to bear his formidable merger and acquisition experience. Small wonder too that most deals have been in the US on his home turf.

However, to direct all credit at Mr Powers would again be unfair as the painstaking work of bringing the group back from the edge of the grave had been all but completed when he joined it early last year.

When Hong Kong's property market collapsed spectacularly in 1983, Jardine faced massive losses.

These were aggravated by losses on shipping and trading operations, and by the group's cross-shareholdings with Hongkong Land, the territory's largest property group, which was caught with large-scale construction commitments just as the market collapsed.

Brian Powers: put cynics in their place

As Hongkong Land's debts appeared to be spiralling towards HK$25bn (US$3.2bn), many predicted the two groups were destined to share a grave.

There followed a period of painful convalescence when assets were sold steadily in an effort to control debts.

Four years later, with the Hong Kong economy back in flamboyant form, the days of distress sales are over. By the time corporate restructuring was completed early this year debts had been reduced to levels deemed modest by even the most conservative international standards.

The principal results of the reorganisation have been to pare Hongkong Land back to a pure property company, and to float Land's leading subsidiaries, with the newly-created Jardine Strategic retaining investment stakes in all of these on behalf of the group.

Jardine Matheson's board was convinced that the sum of the different parts of the group - which included the Dairy Farm retailing operation and Mandarin Oriental hotels - would be greater than the whole. Since the flotations, it appears to have been proven right.

The flotations not only made the investing public more aware of the value of the subsidiaries, but unleashed cash that Jardine urgently needed to reduce debts and gave long-stifled executives an opportunity to spread their wings.

It also removed long-standing fears that a predator might be tempted to mount a takeover in order to dismember the group and strip assets that, from the ordinary shareholder's point of view, had never been realised.

The new group structure retains defensive elements - not least a substantial cross-holding between Jardine Matheson and Jardine Strategic - but they are not the kind of cross-holdings that could strangle the group, as the arrangement with Hongkong Land threatened to do four years ago.

Some might have been confused this week that the purchase was made not by Jardine Matheson - which controls the group's financial services interests, mainly Jardine Fleming, the investment bank, and Jardine insurance brokers - but by Jardine Strategic.

The crux is that the investment is not a takeover by which Jardine would take operating control over Bear Stearns, but the purchase of a strategic holding.

Since Jardine Strategic's role is to sit at the centre of a corporate empire based on the original Jardine operating companies - Jardine Matheson itself, Hongkong Land, Dairy Farm and Mandarin Oriental - it seems the logical home for theinvestment in Bear Stearns.

While it is difficult to predict future investment plans, one can say with some confidence that further substantial investment in Hong Kong is unlikely - in spite of frequent complaints that this implies a lack of confidence in the territory.

Jardine executives are united in arguing that their assets are already too heavily weighted in the British territory, and that suitable takeover targets in Hong Kong are hard to find.

But with Mr Powers's enthusiasm for investments in the US, how long will it be before there are arguments about being over-weighted in North America? It will be interesting to see where he strikes next.

Alitalia profits soar as passenger loads increase

BY JOHN WYLES IN ROME

SUBSTANTIAL increases in domestic and international passenger traffic has carried Alitalia, the Italian national airline, to a healthy increase in turnover and operating profits in the first six months.

Following a 12 per cent increase in passengers - to 4.505m - the company's turnover has risen by 6.5 per cent to L1,601bn ($1.2bn) while operating profits improved from L25bn in the same period last year, to L83bn.

At the net level after transfers to reserves, profits are L21.3bn, compared with L1bn last year. The airline's debt equity ratio remains at about 1:1 but self-financing of investments nearly doubled over the first half of 1986, to reach L155bn.

The company invested L134bn of this in its fleet of aircraft.

The management claims that these results follow efforts to improve in-flight service and to set a competitive pricing policy. The company has also increased the number of available flights and has reorganised its timetable.

Alitalia says that in view of future aircraft requirements and other investment needs, the board has approved a proposal to seek a capital increase from L421.2bn to L585bn.

● Indesit is expected to be sold before the end of the year, the company's court-appointed administrator said yesterday. He declined to identify the companies which had submitted offers.

St-Gobain plans $283m outlay in Brazil

By Our Financial Staff

SAINT-GOBAIN, the French foods and brewing group, will invest $345m in Brazil over the next three years. The company will spend $283m in addition to the $62m outlay announced in April.

Of the $283m, the equivalent of $45m will come from the International Finance Corporation, a World Bank affiliate, and $62m from other foreign banks.

The remaining $176m will come from Saint-Gobain and its Brazilian affiliate, Companhia Vidraria Santa Marina.

The company said $170m would fund a factory to make plate-glass for use in the motor and construction industries.

Allianz forecasts strong rise for 1987 premiums

BY OUR FINANCIAL STAFF

ALLIANZ, West Germany's largest insurance group, expects to increase world premium income to more than DM25bn ($13.5bn) for 1987, representing an increase of more than a quarter on last year's DM19.2bn.

The company said the upturn was based on revenue from its Italian subsidiary Riunione Adriatica di Sicurta (RAS), in which Allianz took a majority holding in April.

Allianz's income from foreign units was expected to rise to about DM9.5bn this year, compared with DM4.2bn in 1986

Domestic non-life premium income should increase to DM8.8bn, an increase of about DM400m on the previous year, the company said. Domestic revenue from life assurance was expected to rise to some DM6.7bn, about 10 per cent above 1986 levels.

Allianz raised domestic group net profit to DM383m last year from DM328m in the 1985 period. The company made no specific profit forecast for this year.

However, it said the expected increase in revenue was unlikely to be matched by any other West German insurance group.

The rise in domestic car insurance claims experienced last year had continued in 1987. Payments on claims had risen by about 11 per cent by the end of August from the same period in 1986, while revenue in that sector had increased by only 6.6 per cent.

Brierley Investments jumps 91%

BY LINDA SAUNDERS IN WELLINGTON

DESPITE A 91 per cent increase in profit to NZ$342.1m ($222m), Brierley Investments ,the New Zealand investment company, is looking at major changes to its accounting policies, saying they are regarded internationally as being too conservative. In a document prepared last year for Brierley's listing on the London Stock Exchange, auditors Peat Marwick recalculated profits for the past five years upwards by about 15 per cent to bring them into line with international standards.

Brierley also announced two share issues: a one for 10, cash issue, raising about NZ$240m, followed by a one for four bonus issue, lifting capital to about 1.65bn shares.

Mr Paul Collins,chief executive,justified the issue, despite some fears of negative market reaction, saying he believed the market would accept it, and that the money was needed to continue accelerated growth.

The earnings figure, achieved after NZ$72.7m in tax included no equity accounting of associates, nor any property revaluations. All foreign exchange transactions were included in the profit, and the goodwill on acquisition of subsidiaries had been written off. Earnings per share were 33 cents.

Had Brierley accounted for its Magnum Corporation acquisition in the conventional manner it would have boosted the profit by NZ$96m instead of reducing it by NZ$14m.

The profit was achieved on turnover more than doubled to NZ$7.15bn.

The balance sheet saw total assets double to NZ$11,82bn, mainly through the value of shares in public companies rising from NZ$13bn to NZ$5.62bn.

Shareholders' funds doubled to NZ$1.82bn,while minority interests, which Brierley incorporates as part of its capital funds figure, were $1.74bn.Capital funds totalled NZ$3.67 against $2.33bn last year.

Mr Collins also restated the company's intention to proceed with its bid for the UK insurance group Equity and Law.Cie du Midi, the French financial group is also bidding for Equity. BIL owns 29.6 per cent of Equity against Midi's holding of about 14 per cent. Brierley increased its original 365p cash offer for Equity to 450p on Tuesday in response to Midi's mixed cash and equity offer, now valued at about 440p.

Tateho stake sale disclosure

THE HANSHIN Sogo Bank, an urban *sogo* or mutual savings and loan institution, sold 100,000 shares of Tateho Chemical Industries on September 1, one day before Tateho reported losses of Y28bn ($191m) in connection with futures trading on the Japanese government bond market, AP-DJ reports from Tokyo.

"All we can say is we sold that number of shares on September 1. I can't comment any further. The Finance Ministry and others are still investigating," Hanshin Sogo said.

The *sogo* bank, however, denied that insider trading figured in the transaction. The bank claimed that it was reacting to news reports citing unnamed sources as saying the institution had undertaken the selling.

The disclosure was made in the context of a continuing industry and government inquiry into whether insider trading might have figured in the period before Tateho's severe losses came to light.

Tateho, a mid-sized chemical maker, suffered an estimated Y20bn in losses for the year, against net assets of Y16.9 bn, and publicly revealed the matter on September 2. The chemical concern's share prices tumbled as a result, sending prices on the Japanese government bond market plunging.

Current semi-official inquiries are looking into the possibility that certain financial institutions or individuals had advance knowledge of Tateho's impending debacle and sought to defray their losses by selling shares before an announcement.

A spokesman for the Osaka Stock Exchange, one of the industry groups investigating the affair, said to date it had not released any statements or findings in the Tateho case and is still reviewing evidence.

Elbit shake-up follows project cancellation

By Judith Maltz in Jerusalem

ELBIT, A leading Israeli computer and defence electronics company,has begun a reorganisation programme as a result of the government's decision to cancel the controversial $1.2bn Lavi fighter bomber project.

The company, one of the few Israeli defence enterprises to continue to show profits, was to have produced various systems for the Lavi. It is the first to reassess its operations following the cancellation of the Lavi, but others are expected to follow suit.

Mr Emmanuel Gil, Elbit's president, said the basic principles underlying the new programme would be the centralisation of engineering and production operations, accompanied by a greater dispersal of marketing facilities.

Elbit had decided to make these moves, Mr Gil explained, in the hope of being awarded some of the funds freed by last month's decision to cancel the project.

This money, up to $400min US military aid, will be allocated to the production of a new generation of alternative weapons.

CSK denies losses from stock trading

CSK, a Japanese computer software developer, yesterday denied it had suffered any losses through financial investments such as stock or bond trading, Reuter reports from Tokyo.

The company's share price fell by Y550 to Y6,100 ($41.6) on the Tokyo Stock Exchange after reports that the company had suffered serious losses in speculative investments.

"We have never engaged in such financial investments," the company said. "We have no losses."

A company official earlier declined to comment on the possibility of investment losses, but said a local press report that the profits for the year ended September 30 would show the first loss since the company was founded in 1968, could have sparked the fall in share price.

The stock market has been nervous about potential losses by companies engaging in "zaitech," or financial dealings such as stock and bond investments, after Tateho Chemical Industries announced large losses on the government bond market.

Ashok sale sparks international interest

BY JOHN ELLIOTT IN NEW DELHI

INTERNATIONAL TRUCK manufacturers and prominent Indian businessmen have submitted bids ranging between £20m ($32.5m) and £30m to buy Ashok Leyland, India's second largest commercial vehicle manufacturer, from Rover Group of the UK.

The sale is attracting international attention because of the expansion potential of Ashok Leyland, which has 30 per cent of the Indian truck and bus market, holding second position to Telco, part of the Tata group. Ashok Leyland's profits rose to Rs64.1m ($4.9m)last year, starting a recovery after several years' decline.

Companies involved include Daf of Holland, which early this year merged with Leyland's UK commercial vehicle operations, General Motors of the US, Fiat Iveco of Italy, and Hino of Japan which already has a technical collaboration agreement with Ashok Leyland. MAN of West Germany and Cummins of the US have been expressing interest.

The main bid from within India has come from Mr Rahul Bajaj of Bajaj Auto, the world's second largest producer of motor scooters. Mr Bajaj lacks a partner from the international truck industry, which means his bid does not strictly conform to a requirement that the winner should have expertise to develop the company's products. He had hoped to tie up with Fiat Iveco, but now says he will find a technological partner immediately if he wins.

Mr Bajaj, a resident Indian, has to overcome an Indian Finance Ministry ban on scarce foreign exchange being used by Indian businessmen to buy foreign-held stakes in Indian companies. He has solved the problem by using Merrill Lynch to organise institutional investors prepared to back him. Merrill Lynch has built up the contacts for such bids after arranging an international launch last year for the India Fund on behalf of the public sector Unit Trust of India.

The UK-based Hinduja family, which originates from India and has wide-ranging international trading interests in the Middle East and elsewhere, has also submitted a bid which would give it its first manufacturing base in its home country. It is believed also to be in talks with Iveco.

The Hinduja family is not affected by the Finance Ministry ban because it has official non-resident Indian status and has funds abroad to use.

The offers were submitted secretly in London on Wednesday night after several days of negotiations between the bidders. Wednesday was the original deadline for the bids, but this has been extended for ten days at the request, it is believed, of General Motors and Hino. Rover had wanted to choose the winner later this month and conclude the deal by November 20.

The Leyland-Daf commercial vehicle group set up early this year excluded Leyland's Indian interests - a 39 per cent stake in Ashok Leyland and 51 per cent in Ennore Foundaries, both based in the southern city of Madras.

At that time Daf did not want to take on the Indian operations. With an output of more than 16,000 trucks and buses a year, they are larger than Leyland in the UK and about equal to Daf's own business. This view has now changed, which means that Daf is having to offer a higher price.

Nomura stays top of the league

BY CLARE PEARSON

NOMURA Securities held on to first position by a wide margin at the end of the third quarter this year in a Eurobond book runners' league table which is *still dominated by the Japanese* securities houses, according to figures produced by IDD Information Services.

However, Credit Suisse First *Boston*, the leader for 1986 which fell to fifth position with only 5.2 per cent of the market at the end of the first half, clawed its way back to second *position*, helped by a $1bn issue for Italy last month.

New issue activity fell to $125bn, so the full-year figure seems likely to fall short of 1986's record $182.65bn. But this has occurred against a background of difficult conditions in many sectors, which has led several houses to retrench their primary market activity.

The first, fourth, fifth and sixth positions - occupied by Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities respectively - reflect mainly the continuing flow of equity warrants bonds for Japanese companies, despite a sharp mid-summer shake-out in the market.

The dollar's share of new issue volume stood at 44.5 per cent, down from 63 per cent at the end of last year, but slightly improved from 34.7 per cent at the end of June.

This is partly thanks to the boom in dollar-denominated equity warrants issues, while also reflecting a determined effort by some houses over the last few months to revive the sector.

Yen bonds accounted for 14.6 per cent of the market, up from 10 per cent at the end of last year. However, the figure also highlights depressed conditions in the yen bond market during the last three months as yen bonds accounted for 18.7 per cent of total volume at the end of June.

Houses active in the equity-related *sector of the market*, such as Credit Suisse First Boston, have generally held on to top 10 bookrunning rankings so far this year.

In particular, Morgan Stanley, which is one of the most active lead-managers of convertible bonds, stood in eighth position at the end of September, down two places from the end of 1986, but sharply up from the 12th position it occupied at the end of the first half.

Other leading US houses, however, such as Merrill Lynch and Shearson Lehman Brothers, which ranked ninth and 13th at the end of last year, have dropped completely out of the top 20 line-up in the course of this year.

The Australian dollar has been playing an increasing role in international transactions this year, with its share rising to 7 per cent from 3 per cent at the end of 1986.

By contrast, this year's lack of interest rate or currency impetus *in the D-Mark* bond market was reflected in a plunge in the D-Mark's market share to 9.6 per cent from 17 per cent at the end of last year. This puts it on a *par with sterling's portion*: 9.6 per cent against 10.6 per cent at the end of 1986.

EUROBOND OFFERINGS BY CURRENCY

Rank	Currency	Total $(bn)	No of issues
1	US $	55.5	449
2	Yen	18.3	140
3	Sterling	12.0	101
4	D Mark	12.0	103
5	A$	8.8	187
6	ECU	6.5	62
7	C$	5.6	87
8	FFr	1.6	15
9	DKr	1.1	27
10	NZ$	0.9	21
11	Fl	0.8	12
12	L	0.5	9
13	HK$	0.2	3
14	SFr	0.1	4
15	KD	0.1	2
16	FM	0.1	2
17	Sch	0.07	1
18	*LuxFr*	0.04	3
19	S$	0.02	1
	Total	125.0	1,229

EUROBONDS

Manager	1/1/87-30/9/87 $(bn)	Rank	%	Issues	1/1/86-30/9/86 $(bn)	Rank	%	Issues
Nomura	15.4	(1)	12.4	109	12.2	(2)	8.6	110
CSFB	8.2	(2)	7.1	69	9.8	(1)	12.1	83
Deutsche Bank	8.2	(3)	6.6	62	9.8	(3)	6.9	67
Daiwa	7.5	(4)	6.0	69	6.5	(6)	4.6	68
Nikko	7.4	(5)	6.0	55	4.4	(10)	3.2	46
Yamaichi	7.1	(6)	5.7	67	3.4	(12)	2.4	44
Morgan Gty	4.8	(7)	3.9	42	7.0	(5)	5.6	50
Morgan Stan	4.8	(8)	3.9	33	5.6	(8)	3.9	51
Salomon Bros	4.0	(9)	3.3	32	7.0	(5)	5.0	44
Banque Paribas	3.4	(10)	2.8	35	5.8	(7)	4.1	55
SG Warburg	3.1	(11)	2.5	30	2.4	(13)	1.7	20
IBJ	3.0	(12)	2.4	30	1.5	(27)	1.1	14
UBS	3.0	(13)	2.4	25	3.6	(11)	2.6	36
Dresdner Bank	2.1	(14)	1.7	19	1.0	(31)	0.7	12
Commerzbank	2.0	(15)	1.7	23	2.2	(16)	1.6	34
Swiss Bnk Corp	2.0	(16)	1.6	22	1.8	(20)	1.3	13
Goldman, Sachs	1.9	(17)	1.6	18	2.2	(14)	1.6	17
Baring Bros	1.7	(18)	1.4	15	1.7	(23)	1.2	11
LTCB	1.6	(19)	1.3	11	2.0	(17)	1.5	17
Bank of Tokyo	1.5	(20)	1.3	14	0.8	(33)	0.6	11
Ind Totals	124.5			1,208	142.0			1,251

Abu Dhabi banks fear a rush of lawsuits

BY OUR ABU DHABI CORRESPONDENT

BANKS IN Abu Dhabi fear a rush of lawsuits claiming the return of interest paid by their customers, as a result of a decree published by the Abu Dhabi Government this week. It applies equally to foreign and local banks.

The decree, which took most bankers in Abu Dhabi by surprise, states that "in all cases interest payments must not exceed the amount of the principal debt." It comes into force immediately.

The bankers' fears of legal action are not unfounded. There are at least two cases before the Abu Dhabi courts in which customers of 17 or more years' standing are claiming the return of much of the interest paid to the bank over that period. At the time these claims were brought, the manager of one of the banks in question said that a judgment in favour of the customer could wipe out 20 per cent of bank assets.

Overdraft facilities are the main problem area. Where overdrafts have been permitted over periods of several years, interest repaid by the customer can easily exceed the sum originally lent by the bank.

An earlier decree, published in July had given banks cause to breathe more easily, stating clearly that in cases of dispute the interest allowable by the courts should be that which was originally agreed by the parties.

There is some evidence that the authorities have paid heed to representations from the banks. The Justice Ministry has advised the judiciary not to make any judgments in accordance with Tuesday's decree until the term "principal" in the decree has been defined.

Saga plans to expand foreign share base

By Our Euromarkets Correspondent

SAGA PETROLEUM, the Norwegian oil independent, plans to take rapid advantage of an anticipated government decision to double to 40 per cent the proportion of a company's shares which may be held outside Norway.

The entire 20 per cent foreign shareholding of Saga is currently held by Volvo, the Swedish motor and energy group, and Saga is putting in place an unusual offering to expand its foreign shareholder base.

The company expects to make a secondary offering of 2.66m shares - valued at last night's close at about $55m - and a convertible Eurobond of between $75m and $100m.

In what would be an unprecedented offering, Saga has asked four banks to make a tender offer for the shares in the Norwegian market, and the banks will offer them to international investors a week later.

The banks are Den norske Creditbank, Finanshuset of Norway, Morgan Guaranty Limited and Wood MacKenzie. The premium at which the shares will be offered has not yet been decided.

● Enron Corporation of the US is selling almost 18 per cent of its wholly-owned energy subsidiary Enron Oil and Gas through a public share offering. Of the 14m shares on offer, 3m are being offered internationally through Credit Suisse First Boston, Drexel Burnham Lambert International and Lazard Brothers.

Norway to propose 1% tax on turnover

By Karen Fossli in Oslo

NORWAY'S Finance Ministry is to propose a 1 per cent share turnover tax in its budget proposal for 1988, which is due out next week.

The measure is to be introduced as part of a three-part tax package, but alone it is intended to raise some NKr300m ($44.6m) for the treasury.

The Government failed in an earlier attempt in May to introduce a share turnover tax of 2 per cent as part of its revised budget for 1987.

News of the leaked proposal in May caused the Oslo bourse to register its steepest one day fall as investors took fright.

The bourse has been bracing itself since July for the announcement of the new measure, however, and is much less likely to be intimidated this time - especially since the rate of tax actually decided will have only half the impact of the earlier proposal.

Opponents of the May proposal for a 2 per cent tax argued that it threatened to drive away the foreign investors who have been largely responsible for the rapid growth of the Oslo bourse.

Rival options exchange in Helsinki

By Olli Virtanen in Helsinki

FINLAND IS TO have two separate options markets following a decision by a majority of stockbrokers on the Helsinki Stock Exchange yesterday to *set up a new options exchange* in competition with an organisation established last week.

The group behind the latest options exchange is headed by Kansallis-Osake-Pankki (KOP), one of Finland's two leading commercial banks. Other members include Okobank, the co-operative banking group, *Postipankki, the post office bank*, and 15 small brokerage firms.

Only three brokers voted against the new options exchange. They were *Union* Bank of Finland (UBF) - KOP's main rival - Skopbank, the savings bank group, and Kuningas, the third largest stockbroker in Finland. The three are at the head of the group setting up the competing exchange.

The surprise move by UBF, Skopbank *and Kuningas* was seen as a result of dissatisfaction with the committee, which is headed by a KOP director.

Critics argue that the Finnish market cannot sustain two competing options exchanges.

Stockholm base for bank FRN

SKANDINAVISKA Enskilda Banken, Sweden's largest bank, is to issue the country's first floating rate note loan linked to Stibor, the Stockholm interbank offered rate, Kevin Done writes from Stockholm.

The issue is a further step in *the development of new instruments* in the increasingly sophisticated Swedish financial markets.

Dollar sector depressed by oversupply threat

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE DOLLAR bond markets continued to sag yesterday amid continued worries of about the supply of new US Treasury paper. The Eurodollar bond market as a result ended down by between ¼ and to ⅜ point.

The new issue market *for* straight debt was silent; traders were still attempting to place bonds from earlier new issues in an atmosphere of unenthusiastic investor demand.

Convertible and equity linked bonds remained the market's main talking point, though an expected *twin-tranche* bond issue for Bell Resources, part of Mr Robert Holmes a Court's Bell Group, did not emerge. The bonds are expected to be convertible into shares of Broken Hill Proprietary.

Still, there were widespread expectations that the bonds would come soon, with Swiss Bank *Corporation and Merrill* Lynch both named among the candidates to lead manage it.

The Japanese equity warrants sector was tapped by Tosoh, formerly *Toyo Soda, for $200m* through Yamaichi International (Europe). The issue carried an indicated 3¼ per cent coupon and a maturity of five years, and was quoted at a discount within its 2¼ per cent fees.

INTERNATIONAL BONDS

Fuji Bank, which describes itself as the most profitable Japanese bank, tapped both the Eurodollar and Swiss franc convertibles market. Its dollar bond was for $200m, with an indicated 1¾ per cent coupon and a 15-year final maturity through Fuji International Finance.

Its Swiss franc issue was divided into a private placement of SFr200m and a public offer of *the same amount*. Both tranches mature in 1993, carry an indicated coupon of ½ per cent and are lead managed by Union Bank of Switzerland, although the call provisions on the two tranches differ.

The bank is raising a total of about $1.2bn, in an exercise which also comrpises an offering in Japan of 35m shares.

Still with Swiss franc convertibles, New *Zealand's Carter* Holt Harvey Finance launched a SFr100m, 10 year deal with a coupon of 3⅛ per cent and a *conversion premium of* 17.33 per cent over a 5-day average. Warburg Soditic led the issue.

Wakita, a construction materials manufacturer, launched a SFr45m convertible with a 1993 maturity, and an indicated ⅝ per cent coupon. Swiss Volksbank led the issue.

In straight Swiss francs, Japan Tobacco came *to market for* SFr150m over seven years with a 5 per cent coupon and a 100¼ issue price through UBS. Although the terms were considered *reasonable, some Swiss* investors feel their portfolios are already overloaded with Japanese debt.

The secondary market in *Switzerland was mixed to* slightly easier, while in West Germany activity picked up slightly in higher-yielding issues, and foreign bond issues ended the day on average about 10 basis points firmer. Apart from the two issues brought by Japanese lead managers in Germany, there was also a DM200m private placement for the World Bank with a five-year maturity and a 5⅞ per cent coupon. It was priced at 99¾ and led by Bayerische Landesbank.

Japanese bring D-Mark issues

BY HAIG SIMONIAN IN FRANKFURT

JAPANESE INVESTMENT banks in West Germany yesterday lead managed their first Deutschemark Eurobonds after last week's go-ahead from the Bundesbank.

First off the mark was Industrial Bank of Japan (Deutschland), with a DM100m five-year issue for its parent company.

Co-led by Deutsche Bank, which owns a 25 per cent stake in IBJ's Frankfurt subsidiary, the 5⅞ per cent par-priced bond, which was widely expected in Frankfurt, received a good reception in a still difficult market for straight issues.

The issue was being quoted at less 1.30-1.00 by mid-afternoon, which was down from earlier best levels of 0.90-0.75, but still well within the 2 per cent total fees for the bond.

The management group, which includes Dresdner Bank as a single "senior co-manager," comprises a prestigious list of German banking names. S G Warburg and Banque National de Paris (Capital Markets), with which IBJ has had long-standing relationships, are also included.

The day's second Japanese deal, launched somewhat later, was a DM50m convertible bond for Sodick, Japan's leading manufacturer of electrical discharge equipment.

The par-priced issue, maturing in 1993, carries an indicated coupon of 1½-1¾ per cent. The conversion premium is expected to be about 5 per cent.

Sodick is seen as as an attractive stock, and the bond was being actively traded. Dealers reported little selling and the paper was being quoted at 103.50-105.50 in Frankfurt.

Yesterday's issues bring to an end a lengthy waiting period for the Japanese houses, which were specifically excluded when the Bundesbank allowed foreign investment banks in Germany to lead manage D-Mark Eurobonds in May 1985.

Although there has been some anxiety among German bankers about the *likely* consequences of Japanese participation, Japanese bankers have stressed that they intend to behave in a "very orderly manner," according to one senior executive. Rather than flooding the market or sniping at one another, they intend to observe a policy of "sound competition," he claimed.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	[illegible]	[illegible]	[illegible]	[illegible]	10.27
All Nippon Air 9⅞ 97	100	[illegible]	91	[illegible]	[illegible]	10.95
American Brands 8⅞ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	10.26
A/S Eksportfinans 7⅛ 93	100	[illegible]	[illegible]	0	[illegible]	10.30
A/S Eksportfinans 7⅛ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	10.25
B.P. Capital 9⅛ 96	100	[illegible]	[illegible]	0	0	9.80
British Telecom 7⅛ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	10.73
British Telecom 8⅞ 94	150	[illegible]	[illegible]	0	[illegible]	10.39
Campbell Soup 10½ 95	100	[illegible]	[illegible]	0	[illegible]	10.30
Canada 9 96	1000	[illegible]	[illegible]	0	[illegible]	10.24
Canadian Pac 10¾ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	10.24
C.C.C.E 7¼ 91	113	91	[illegible]	[illegible]	[illegible]	9.83
C.N.C.A 7¼ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	10.07
Citicorp 8¾ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	11.14
Credit Lyonnais 9 92	200	97	[illegible]	0	[illegible]	9.95
Credit National 7⅛ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	9.86
Credit National 7¼ 92	150	[illegible]	[illegible]	0	-3	9.83
Denmark 7¼ 92	500	[illegible]	[illegible]	0	[illegible]	10.12
Denmark 8¾ 93	300	[illegible]	[illegible]	[illegible]	[illegible]	9.79
E.E.C 7 93	100	91	[illegible]	[illegible]	[illegible]	9.67
E.E.C. 7¼ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	9.98
E.E.C 8¼ 96	100	[illegible]	[illegible]	0	[illegible]	10.42
E.I.B. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	10.20
E.I.B. 9⅞ 97	150	[illegible]	[illegible]	[illegible]	[illegible]	10.68
Finland 7⅞ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	10.72
Finland 7½ 93	200	[illegible]	89	0	[illegible]	10.10
Ford Motor Cred 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	9.87
Ford Motor Cred 11⅞ 90	100	[illegible]	[illegible]	[illegible]	[illegible]	9.54
Gen Elec Credit 10¼ 00	200	101	[illegible]	0	[illegible]	10.07
G.M.A.C. 8¼ 89	200	[illegible]	[illegible]	0	[illegible]	8.93
Hoesch 8¼ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	10.68
Hoesch 7⅞ 92	100	[illegible]	93	[illegible]	[illegible]	9.41
Hoesch 7⅞ 94	300	[illegible]	[illegible]	0	-1	10.23
Liberty Mutual 8½ 96	150	88	[illegible]	[illegible]	[illegible]	10.61
L.T.C.B of Japan 8 91	100	[illegible]	[illegible]	[illegible]	[illegible]	10.14
L.T.C.B of Japan 8 97	200	[illegible]	[illegible]	[illegible]	[illegible]	10.89
Mercedes-Benz Cred 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	[illegible]	[illegible]	[illegible]	[illegible]	6.34
E.I.B 4⅝ 94	40	[illegible]	[illegible]	[illegible]	[illegible]	6.33
Elec. De France 5⅛ 94	20	[illegible]	[illegible]	[illegible]	[illegible]	6.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Wide share ownership is not a Eurotunnel aim

BY RICHARD TOMKINS

Eurotunnel, the Anglo-French Channel tunnel venture, yesterday made it clear that the widening of share ownership would not figure among its objectives when it was floated on the stock market next month.

It said it was anxious that private and institutional investors should receive sensible allocations in the share offering. With only about £750m worth of stock to be sold, it was therefore likely that the initial number of shareholders would fall well short of 1m.

In the event of a heavy response, a ballot would be held to eliminate a proportion of the applicants rather then making a large number of small allocations, the company said.

These first details of the share offering emerged as Eurotunnel launched its UK marketing programme for the issue. The French campaign will begin in mid October.

In the UK, an advertising campaign will begin today in the press and on television inviting people to find out more about the offer from the company's share information office. The television advertisments will flash a warning to viewers that an investment in Eurotunnel carries a significant degree of risk.

The issue will be unusual in several respects. It will be the first simultaneous combination of a public offer for sale in the UK and France, and it will invite applicants to subscribe for shares in a venture which is not due to come into revenue-earning operation until 1993.

Further, the offer will be of units, not of shares. Each unit will comprise one share in Eurotunnel plc and one share in Eurotunnel SA, respectively the British and French joint partners in the venture.

S.G. Warburg, one of Eurotunnel's UK advisers, said multiple applicants would be discouraged but not outlawed. Because of the likely pattern of allocation, one big application would be more likely to succeed than many small ones, the bank said.

About £300m worth of the stock will be offered in the UK and a similar sum will be offered in France, with the remainder being placed in other international markets. The pathfinder prospectus will appear in early November, the final prospectus will follow in mid November, and the offer will close at the end of the month.

Applicants will not be given the incentive of paying for the stock in instalments. However, travel perks for private investors are planned, details of which will emerge in the next few weeks.

HTV jumps 32% to £11.9m

HTV, the television programme contractors, increased pre-tax profits by 32 per cent from £9.01m to £11.9m on group turnover up from £113.57m to £116.61m for the year ending July 31 1987.

The directors are recommending a final dividend of 6.6p (5.7p) making 9.8p (8.5p) for the year. Earnings per 25p share increased 57 per cent to 37.03p (23.57p) with attributable profits of £7.67m (£4.88m). Taxes amounted to £4.24m (£4.13m).

Around 95 per cent of operating profits - £10.42m (£9.7m) - came from the television sector after payment of an Exchequer Levy of £5.18m (£1.2m). Fine art contributed £546,000 (£527,000) and stationery made a much reduced loss of £230,000 (£1.58m). Investment income (less interest payable) came to £1.17m (£189,000).

The directors said that the stationery activity has been run down since September last year with the realisation of assets and settlement of all obligations.

There was an extraordinary credit of £2.53m (£4.25m loss) relating to provision made in July 1986 for the diminution in value of assets and other related commitments. The realisation operation is almost complete and £2.53m is not required due to containment of losses to an estimated £1.73m. The directors note that this result was attained while providing enhanced benefits to members of the Dataday pension plan.

●comment

It is fair to say that Mrs Thatcher is not exactly HTV's favourite person right now. The company's overseas sales fell from £7.3m to £2.74m following the Government-imposed levy on exports announced in April 1986, just days before HTV won the Queen's Award for Export. The downturn in foreign sales, and consequent increase in the domestic levy due to higher profits on this side, resulted in yesterday's figures being slightly below City expectations and the shares dropped 18p to close at 373p. On the good news side, HTV has maintained, at 6.45 per cent, its share of the advertising market, no mean feat considering the moves concentrating investment in the south east. In addition, the company has sorted out the Dataday diary publishing subsidiary, resulting in £2.52m of last year's £4.25m extraordinary debit not being required and now appearing as an extraordinary credit. Assumptions of pre-tax profits for this year of between £14m and £15m produces a prospective p/e of 8, jolly good value.

Pearson warning on new stake

BY RAYMOND SNODDY

LORD BLAKENHAM, chairman and chief executive of Pearson, yesterday warned that new large shareholdings in the information, banking and china group were unwelcome.

The statement from Lord Blakenham came after his first meeting for ten years with Mr Rupert Murdoch, chief executive of News Corporation, who last month unexpectedly spent about £250m in acquiring a 14.7 per cent stake in Pearson.

'It remains Pearson's consistent policy not to be too closely identified with any one company as a shareholder,' Lord Blakenham said. The company believes that stakes as large as 15 per cent are inherently destabilising – too small to give a real measure of control, too large to be passive long-term investments.

At the private lunchtime meeting at Pearson's Millbank Tower headquarters in London, no concrete proposals for possible joint ventures were raised. The meeting was, however, said to be friendly, and Lord Blakenham made it clear that Pearson 'stands ready to consider favourably any commercial initiative that would be in all its shareholders' interests.'

After the meeting, Mr Murdoch, who controls five national newspapers in the UK, said he intended his stake to be a long-term investment and reiterated that he had 'neither the desire nor the intention' to take control of Pearson. Mr Murdoch added that 'he hoped to be supportive of the management and the company as a whole.'

The American-Australian newspaper proprietor has made it clear to associates that he believes he has a contribution to make to the management of Pearson.

There was little in yesterday's meeting to encourage such a close relationship, but it is likely that both men will meet again, and that commercial joint ventures, particularly in newspaper and book-publishing areas, are far from ruled out. No date, however, has been set for a further meeting.

Meanwhile, the Press Council yesterday welcomed the assurance from Lord Young, Trade and Industry Secretary, that any take-over bid for the Financial Times would have to be referred to the Monopolies Commission.

●The Office of Fair Trading will almost certainly consider the purchase of Martins, the 1,000-strong newsagent chain, by an Australian consortium in which Mr Murdoch has a one-third interest. The OFT normally considers any change of ownership involving assets in excess of £30m; the Martins deal was worth more than £200m.

Apart from the asset limit, the OFT can also look at deals which increase the vertical integration in an industry. Mr Murdoch, apart from publishing newspapers, has an interest in TNT, the Transport company which distributes his newspapers. Now, in many parts of the country he also has an interest in the final link of the newspaper chain – the newsagent who sells papers to the public.

Fords buys 51% of AC Cars for £1.3m

By John Griffiths

Ford plans to spend £1.3m acquiring a 51 per cent stake in AC Cars, the small British company which once produced the legendary Cobra sports car.

The move, coming less than four weeks after Ford acquired a 75 per cent holding in Aston Martin Lagonda, sent a buzz of puzzled speculation through the motor industry about Ford's intentions towards the specialist cars sector.

Ford refused to comment on the grounds that shareholders in publicly-quoted AC Holdings, financial services group, from which it intends to buy the stake, would not vote on the offer until October 21.

The purchase is being recommended by AC Holdings directors.

The puzzlement arises because, like the Aston Martin purchase, Ford appears to be buying primarily another name.

AC Cars has not produced cars for sale for several years, although it has made several prototypes of an open sports-car, one of which appeared on the Ford stand at last year's UK motor show,

However the car is a joint development with Autokraft, privately-owned company based on the Brooklands industrial estate in Surrey, which holds the minority stake in AC Cars.

To complicate matters further Autokraft makes a replica of the Cobra and is authorised to use the Cobra name. The prime market for the few dozen Cobras produced each year is the US, where they are sold through Ford dealers.

Ford refused to say what a majority stake in AC Cars might mean for Autokraft's own activities and the use of the AC or Cobra names. Mr Brian Angliss, Autokraft's managing director, was unavailable for comment.

AC Holdings has had a chequered history in the past few years. It was known as AC Cars until February last year, when a controlling interest was bought by Mr William West, a stockbroker, for £1.9m. It changed its name in September last year to reflect its newfound dependence on renting commercial property for most of its profits.

Part of the site at Thames Ditton, Surrey, where it had formerly produced cars like the AC ACE and Cobra, together with invalid carriages, was sold at the beginning of this year.

Highland injection

Mr Geoffrey Parker, former chairman and chief executive of European Ferries Group, is injecting £500,000 into Highland Participants and joining the board as chief executive.

Highland is making an agreed bid for A & P Appledore, listed ship-repairer, which owns a half share in the port of Falmouth. As part of the deal, which is the brainchild of Mr Peter de Savary, the merged group will acquire the whole of the port.

Clay Harris examines ABF's bid for S & W Berisford

The not-so sweet war for sugar

THE TWO-year phoney war over S & W Berisford is over. It remains to be seen whether yesterday's hostile bid by Associated British Foods, valuing the company at £767m, will cut the Gordian knot and resolve the future of Berisford's British Sugar subsidiary once and for all.

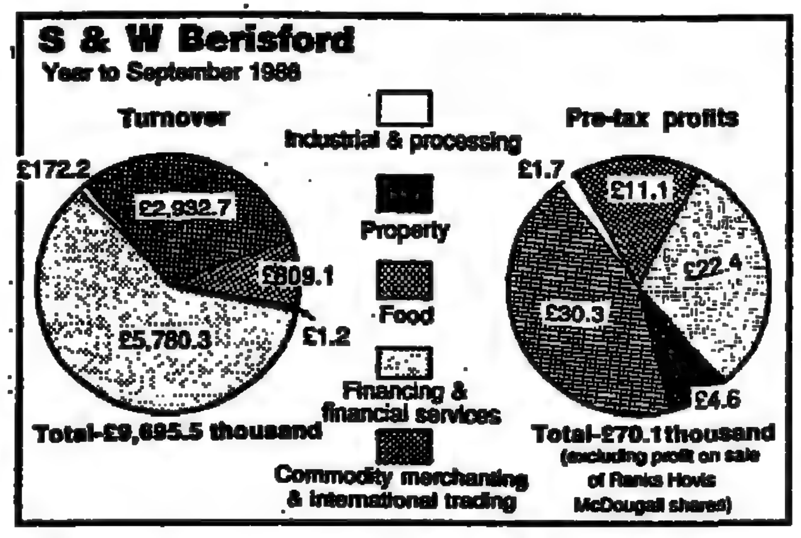
It is certain, however, that the ABF bid will provide a critical test for Berisford's effort in recent years to strengthen its management and expand its activities from the traditional reliance on beet sugar refining and commodity trading.

But the biggest question is whether the Government will countenance any change of ownership in an industry as politically sensitive as sugar. Only seven months ago, rival bids for Berisford by Tate & Lyle, the UK cane sugar refiner, and Ferruzzi of Italy, like Berisford an agribusiness group whose sugar business is based on the EC-favoured beet, were blocked by the Monopolies and Mergers Commission.

Both companies have since sold their shareholdings - Ferruzzi to ABF and Tate to hands friendly to Berisford. The facts that Tate is not involved this time, and apparently neither has any objection to ABF's owning British Sugar nor sees any need for another Monopolies inquiry, could prove decisive.

Although the Office of Fair Trading did not object, after investigation, to ABF's current 23.7 per cent stake, the full bid will face closer scrutiny, especially with a loudly objecting incumbent management.

Political considerations aside, the two sides in the latest takeover battle could hardly have more starkly differing visions of Berisford's future. Mr Garry Weston, ABF chairman, said Berisford should focus on its food activities, a definition he does not stretch too widely into the adjoining fields of agribusiness.



Berisford management, he said, is dominated by directors with the mentality of commodity traders, property developers and US arbitrageurs (a reference to the Pritzker brothers of Chicago who joined the board yesterday). What British Sugar lacks and needs, Mr Weston argued, is the industrial and manufacturing approach to its core business that a food giant like ABF would bring.

British Sugar's operations are not dissimilar to ABF's milling and baking activities, he said. The group's retail brands include Sunblest, Allinson's and Vitbe bread, Burton biscuits, Ryvita crispbread and Twining tea.

ABF would concentrate on the "practical side of the food business but not the pie-in-the-sky business," Mr Weston said. He dismissed Berisford's more ambitious plans (like using beet straw for paper or fuel) and the creation of Bristar as a separate agribusiness vehicle.

Mr Henry Lewis, Berisford deputy chairman, rejected the diagnosis: "We believe we have a management and a strategy that has got itself in a position to progress this business very rapidly." Mr Lewis, former joint managing director at Marks and Spencer, is increasingly the public voice of Berisford as one of the phalanx of new managers brought in to bolster the veteran chairman, Mr Ephraim Margulies.

"This bid is about management," Mr Lewis said yesterday. "Mr Margulies is the unquestioned leader of this team and is a man of considerable talent, but he hasn't gathered around him a group of people to sit and watch."

Among the new faces are Mr Peter Jacobs, formerly of Mars, British Sugar's managing director, and Mr Philip Aaronberg, formerly of Arthur Andersen, now Berisford's chief financial officer. Promoted from within were Mr Melvyn Ansher, in charge of property, and Mr Howard Zuckerman, heading up US operations.

He defended Berisford's rapid move into property both in the UK - it owns Midland Montagu's new Thames-front premises between the former Billingsgate fish market and Tate's own headquarters at Sugar Quay - and the US.

The very diversity of the group allowed it to absorb the recent problems of the commodity trading side, he said.

Berisford's share price started yesterday at 349p, almost exactly the price which Tate received for its 14.99 per cent stake in a deal agreed only two weeks ago. Tate sold the shares for £100m to Berisford directors and the Pritzker family, owners of the Hyatt hotel chain and the US airline Braniff.

The Pritzkers hold about 11 per cent of Berisford, joining a defensive alliance which also includes US-based W.R. Grace, which is shortly due to receive about 7m Berisford shares as part payment for the cocoa-processing joint venture recently established by the two companies.

Tate suggested yesterday that ABF probably could have bought the stake for a price close to the 350p it was seeking or the 348½p it accepted because of the promise of prompt payment by Charterhouse Bank, Berisford's financial adviser which co-ordinated the Pritzker purchase.

Tate, a bit chagrined that the shares it sold two weeks ago are now worth £15m more at the offer price and £22m more in the market, indicated that it would have been willing to drop the condition that ABF sell its part of British Sugar's assets. Mr Weston said, however, that no figure had ever been mentioned in his talks with Tate.

Speculation in London, meanwhile, centred on the Pritzkers, caught up in a hostile bid battle within days of making their first major UK investment. Although there were informed immediately of the development, they appeared last night to be relying on the local experts to chart the course of Berisford's defence.

Etam exceeds £5.5m midway

BY ALICE RAWSTHORN

Etam, fashion retailing group, yesterday announced a 45 per cent increase in pre-tax profits to £5.55m for the first half of the year, following a period of unexpectedly buoyant sales growth.

In the first half of the year Etam staged two acquisitions: of Snob, the womenswear fashion shops, and Peter Brown, the menswear retailing group. The company has now completed its review of the two new businesses and, once it has assessed the results of running experimental units, it intends to refit and expand both chains.

Peter Brown will be positioned to appeal to the male counterparts of Etam's 20-to-30-year-old women customers. The business should be extended from 28 to more than 100 shops.

Snob will be redesigned to appeal to the older teenage market, thereby slipping between the customer catchments of the established Etam and Tammy shops. The Snob chain will be expanded from 14 to 50 units.

Both the Etam and Tammy chains experienced healthy sales in the six months to August 15. Group turnover rose to £49.6m (£36m). This was partly a reflection of healthy demand and partly of the group's recovery from a weak spring/summer season last year.

Trading profits rose to £5.54m (£3.8m). Taxation deducted £2m (£1.5m). Earnings per share increased to 6.7p (4.5p) and the board declared an interim dividend of 1.55p (1.3p).

Mr Alan Howard, group chairman, said that the trend of buoyant sales growth had continued into the second half, which was traditionally the most profitable part of the year.

●comment

For years Etam has been dismissed as an efficient, but unexciting retailer rapidly approaching stagnation in its established markets with no immediate prospect for growth elsewhere. Earlier this year it countered its critics by buying Snob and Peter Brown, both of which offer scope for growth in new, if far from unfamiliar territory. By pitting SNOB against Top Shop and Peter Brown versus Top Man, the group is venturing into the fiercely competitive provinces of the Burton Group. Etam's record suggests that it has the administrative ability to manage new businesses. Whether it has the imagination to succeed in these spheres remains to be seen. The strength of sales growth so far in the second half has prompted an increase in profit projections for the present year to £17.5m. The shares are thus on a modest premium of 17: fairly valued, at least until the new ventures bear fruit.

Cowells improves to £0.35m

Cowells, USM-quoted specialist printer, lifted pre-tax profits by 20 per cent from £293,000 to £353,000 on turnover ahead from £4.15m at £4.5m in the first half of 1987.

The declared interim dividend remains unchanged at 1p and after tax of £120,000 (£114,000) earnings per share moved up from 2.4p to 3.2p.

The directors reported that current trading was continuing to meet expectations and that they were optimistic that the outcome for the year would be satisfactory.

The growth in security products had been particularly strong, with several large contracts being undertaken during the period. Order books were looking good, as were prospects of one or two major projects beginning to bear fruit.

Financial printing was proving successful

UK COMPANY NEWS

Paul Cheeseright considers the floating of Stanhope Properties on the USM

Christmas comes early for the market

STANHOPE PROPERTIES, the company founded and controlled by Mr Stuart Lipton, is to make its long-expected market debut with a tender offer of 10 per cent of its equity which should give it a market capitalisation of £200m.

At a minimum tender price of 180p a share 11.1m shares are being sold to realise at least £17.8m.

The proceeds would bring net tangible assets to a total of £130.7m, giving, on a fully-diluted basis, a net asset value on each of the 111.1m shares in issue of 116p.

All this has been a little like Christmas for stock market people. They knew it was coming but did not know what it would bring. For more than a year speculation has been rife that Stanhope would come to the market in one way or another.

It was not long ago that any time a bid was mooted for a property investment company the name of Lipton was being linked with it. He needs a market quotation, he will use this or that company to reverse Stanhope in, was a familiar line of argument.

S.G. Warburg Securities, which is handling the issue believes that the straight tender offer is the cleanest way to bring Stanhope to the capital markets. Had there been a reverse takeover Stanhope would have been left with a portfolio of properties in which it probably would not have been interested, given its penchant for big developments.

Stanhope, then, goes to the Unlisted Securities Market. Its trading record, back to 1983, is not long enough to permit it to go for a listing. That will come later.

But the new shareholders are not being offered a stream of huge dividends. Revenue earned will be ploughed back into development and if there are dividends they will be of a nominal amount, the company has made clear.

"We're offering shareholders assets. What we're about is asset growth", said Mr Lipton. Those assets are in fact being created and the main stream of company income is currently coming from project management fees - turnover of £2.4m and pre-tax profits of £0.5m in the year to last June. Gradually the fees should be superceded by rental income from completed development projects and that will produce the dividends.

Stuart Lipton, chief executive of Stanhope Properties

Where there is rental income, it is coming from its 50-50 joint venture, Rosehaugh Stanhope Developments, and it is not consolidated in the accounts. Stanhope, Mr Lipton stressed, is not a property trading company like Mountleigh.

Potential long-term shareholders will be buying a promise. They will be backing the record of the Lipton team and assuming that it will perform.

Mr Lipton has been developing property since the 1960s. He and his partners at Sterling Land sold to Town and City, more by luck than judgment, just before the 1973 crash. He built up Greycoat with Mr Geoffrey Wilson before suddenly leaving in 1983 to take a year off and think about things.

The main result was the conclusion, that, in property, buildings had to be tailored to the needs of the customer, not to the needs of the agent or the insurance company which might invest. He took that with him to Stanhope, founded in 1984.

Stanhope built up assets from £73,000 in the year to June 1984 to £42.9m by June 1987. A revaluation, by Debenham Tewson and Chinnocks, of Rosehaugh Stanhope produced a further share attributable to Stanhope, of £89.9m. Add the proceeds from the share issue and the Stanhope assets come to £130.7m.

This provides the clearest evidence of the significance of Rosehaugh Stanhope to Stanhope. The joint venture is effectively a marriage of the financial acumen of Mr Godfrey Bradman at Rosehaugh with the Lipton vision of development.

It is the joint venture that is working on the money-spinning Broadgate, the biggest commercial office development in the City of London, on another office project at Holborn Viaduct Station, and on Blackwall Yard and the Royal Docks in London Docklands.

On its own account, apart from project management at Stockley Park near Heathrow, Beaufort House and Paternoster Square in the City, Stanhope is working up projects for London Wall in the City and for a new commercial development on the South Bank of the Thames in the Royal Festival Hall area.

All the developments are in and around London. Mr Lipton has a simple rule. If you cannot drive to the site in 45 minutes, you should not do the development. It is the hands-on approach.

And it is his style, as befitting the man who will retain 52 per cent, that permeates the company - find the site, anticipate the long-term demand, minimise the risk, get the right designs and build fast.

Butte for market with £60m value

BY RICHARD TOMKINS

Butte Mining, a company planning to exploit silver, gold and base metal interests which it owns in the US state of Montana, is coming to the London stock market through a placing which will value it at £60m.

Stockbroker T.C. Coombs is placing 15m shares, or 25 per cent of the enlarged equity, at 100p a share. Two-thirds of the £15m proceeds will be applied to the exploitation of the mining prospects and the remaining third will go to existing shareholders who are selling their shares.

Butte Mining owns the rights to develop and exploit an area of about 1,500 acres around the city of Butte in Montana. The prospectus says the area contains established ore reserves with a pre-tax undiscounted net worth of over $137m (£84.5m).

The prospects were previously owned by The Anaconda Mining Company which extracted large quantities of natural resources from them until 1983, when it was bought by Atlantic Richfield. Butte Mining now plans both to re-open previously established operations and to initiate further development and exploration.

As a start-up venture, Butte Mining has no track record and the prospectus warns that the company's operations carry a high degree of risk. The possibility of delays to the extraction of recoverable reserves and adverse shifts in base metal prices are cited as examples.

Research into the prospects has been carried out by Robertson Research, an international mining consultancy the parent of which, Robertson Research (Singapore), will hold nearly 17 per cent of Butte

Mr Roy Bichan, non-executive chairman of Butte (and chief executive of Robertson Research), said Butte was being floated in the UK instead of the US because most of the board and many of its shareholders were British.

Goodman Intl in double acquisition

BY MARTIN DICKSON

Goodman International, the large, privately-owned Irish meat processor and exporter, has this week reached agreement on two strategic acquisitions in the food sector.

It is buying 68 per cent of the shares in The Merchants' Warehousing currently held by R. & H. Hall (32.8 per cent), Barnett Group (24.4 per cent) and W.P. & R.O. Holdings (8.7 per cent) at a price of I125p(112p) a share. It is making a mandatory offer under the Takeover Code for the rest of the shares but intends to maintain Merchants' listing and the company's board, which approves the stake change, recommends shareholders not to accept the offer for the outstanding equity.

Goodman intends to develop Merchants' core cold storage and distribution operations but believes that the acquisition also offers good oportunities in the UK and continental food exporting business.

Retaining the quote will also give investors an opportunity to get to know Goodman, which was founded in 1966 by its chairman and chief executive, Mr Laurence Goodman, and is owned by his family's interests.

This week Goodman has also agreed to buy Minch Norton, Ireland's largest maltster, for £9.8m. The deal will take Drummonds & Dolans, the grain division of Goodman, into the malting industry. The moves follow a strategic review by Goodman last year which has led to a increased emphasis on added value.

Felixstowe Dock profits rise

The Felixstowe Dock and Railway, the ultimate holding company of which is P & O, yesterday reported pre-tax profits up from £3.59m to £3.66m for the half year to June 30.

Turnover for the period was £30.81m (£26.36m) and operating costs £25.38m (£22.02m) leaving a net operating profit of £5.43m (£4.34m).Interest payable, less receivable was £1.77m (£758,000) and tax took £1.28m (£1.35m).

Dowding & Mills 35% ahead

RECORD SALES, profits and earnings per share were announced yesterday by Dowding & Mills, Birmingham-based electrical and mechanical engineer, for the year to end-June 1987.

Furthermore, the current year had started well with improvements being seen in all sectors.

For 1986-87 the enlarged group raised its turnover from £28.39m to £45.56m and saw its profits rise by £1.44m to £5.58m pre-tax.

Earnings per 10p share rose to 4.1p (3.86p) and a final dividend of 1.12p (1p) raises the total from 1.58p to 1.76p. Taxes amounted to £2.12m (£1.56m).

Mr Peter Hollings, the chairman, said the 35 per cent profits advance was achieved in the face of subdued industrial activity and mainly stemmed from improved profitability from acquisitions.

Bootham Engineers, acquired last year, contributed over £1m to group profits and further improvements should be achieved this year. Of the other acquisitions Electric Motor Services made a useful contribution to profits and although Mannings Marine made a small loss, management efforts should ensure its contribution to earnings this year.

Capital investment for the past year at £2.9m was similar to that of 1985-86 and helped develop and expand group facilities.

Lawtex slips 10% to £300,000

THE COSTS of reorganising its Irish-based leisurewear operation resulted in Lawtex suffering a 10 per cent fall in pre-tax profits to £302,000, against £334,000, in the year to June 27 1987.

Turnover of this Oldham-based clothing and umbrella manufacturer fell to £19.56m (£20.5m) as a result of the sale of its workwear division during the period. Operating profits came out at £791,000 (£744,000).

Earnings per share were lower at 6.8p (7.5p) and the directors are recommending a maintained final dividend of 1p for an unchanged total of 2p.

The net proceeds from the sale of the workwear division, amounting to £518,000, were taken as an extraordinary item.

Mr Peter Schaefer, chairman, said the umbrella sector was again soundly profitable. The weather which had been dry last autumn and early spring was balanced by a wet winter and summer.

He added, however, that the summer rain which had helped umbrella sales had dampened demand for the spring/summer lines in baby products and leisurewear.

Baby products expanded substantially and the range of major customers was broadened. Progress was made in establishing a branded line for smaller chains and speciality outlets.

Mr Schaefer said he thought the reorganisation in the leisurewear division would improve the company's position in the fiercely-competitive market.

Banner Homes heads for USM with £13m tag

By Philip Coggan

Banner Homes, a Home Counties housebuilder and sheltered housing developer, is joining the Unlisted Securities Market via a placing which values the group at £13.28m.

Banner, which is wholly-owned by Mr Stuart Crossley, its chairman and chief executive, operates mainly in Buckinghamshire and south Oxfordshire. Charterhouse Tilney is placing 2.83m shares, about 22.4 per cent of the equity, at 105p each.

The majority of the shares being issued are new and will cut the group's gearing dramatically from 400 per cent to about 70 per cent.

Last year, the group's pre-tax profits were £486,000 but the company is forecasting an increase to £1.25m this year. On that basis, the prospective p/e is 13.7.

Parrish surges to £993,000 halfway

Parrish, the fully listed stockbroker, yesterday reported a surge from £13,000 to £993,000 in half year pre-tax profits and is resuming dividends for the first time since 1982 via an interim of 1p.

The company started life as a Newcastle department store but was transformed from a "shell" into a chain of regional stockbrokers at the end of last year.

The results for the six months to July 31 included those of all of the stockbroking businesses for the full six months, with the exception of the Cirencester office which opened at the end of April.

During the period many of the support and administrative services were rationalised and consolidated. The directors said this process would be completed by the end of the year.

These services will be located in new offices in London Wall Buildings, where a new computer has been installed.

Turnover for the opening half year totalled £5.97m (£90,000) and at the operating level profits amounted to £1.06m (£14,000 loss). Tax accounted for £347,000 (£4,000) and earnings per 5p ordinary emerged at 10.87p (0.2p).

COMPANY NEWS IN BRIEF

BRYSON OIL & GAS is acquiring the Torrid Energy Company of Dallas for 1.433m Bryson shares. Torrid will become Bryson' operating arm in the U.S. Mr Delo Caspary, Bryson's chairman, said that after the acquisition reserves would amount to 2.16m barrels of oil and 7.95m cubic feet of gas, equivalent to total reserves of 3.489m barrels of oil, against 336,000 last November.

CARLESS,CAPEL and Leonard has acquired C and M Property Investment and its subsidiary Quest Petroleum for £1.49m in shares and cash. Quest and Enerco distribute automotive fuels and heating oil in the West and North Midlands.

UPL has conditionally agreed to buy Robinski & Co, a distributor of foods to delicatessens, for £1.25m. Robinski broke even in the year to June on turnover of £5.5m

MERCANTILE HOUSE : the Government has decided not to refer to the Monopolies Commission the acquisition by Quadrex Holdings of Mercantile's wholesale broking division.

JOHNSON MATHEY has sold Palmer Research Laboratories to Associated Octel for £1m. The sale is a further step in Johnson's rationalisation of non-core activities.

COSTAIN has taken a majority interest in Clowance, a West Country time ownership resort.

STODDARD HOLDINGS : the final number of conversion notices received for its 10 per cent cumulative convertible redeemable preference shares was 98.4 per cent. The board says the level of conversion endorses its view the company is moving towards realising its full profits potential

AAF Investment Corporation:The rights issue was taken up in respect of 98.4 per cent of the shares on offer.

GORDON RUSSELL has bought Isoplan,manufacturers of executive and systems furniture, in its first acquisition since going public.

QUEENS MOAT Houses: Over 95.1 per cent of the shares on offer in the rights issue have been taken up and the remainder have been sold in the market at a premium.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Cowells § ....int	1	Dec 2	1	-	3
Doeflex ....int	1.15	Nov 23	-	-	-
Dowding & Mills ...fin	1.12†	-	1	1.76	1.58
Empire Stores ....int	1.65	Nov 16	1.5	-	4.75
Etam ....int	1.55	Jan 5	1.3	-	4.7
Galliford ....fin	4.1†	Nov 20	3.8	5.35†	4.8
HTV ....fin	6.6	Nov 20	5.7	9.8	8.5
Jacob (W&R) ....int	2.6 +	-	2.3	-	7
Laing ....int	4	-	3.5	-	8
Lawtex ....fin	1	Jan 2	1	2	2
P&W Maclellan ....int	0.7	-	0.7	-	1.9
Metsec § ....int	1.6	Nov 30	1.3	-	2.6
Parrish ....int	1	Nov 20	nil	-	nil
Regina Health § ...fin	0.28	Nov 25	-	0.28	-
Rivlin ....int	0.35	Nov 20	nil	-	0.27
Scott's Rest. ....fin	3.3	-	3.3	3.3	3.3
Throg. Dual ....fin	3.5	Nov 25	3.25	5	4.25
Triplevest ....int	7.47	-	6.57	-	12.98

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market. •Irish currency

Philip Ling creates new £80m engineering group

BY CLAY HARRIS

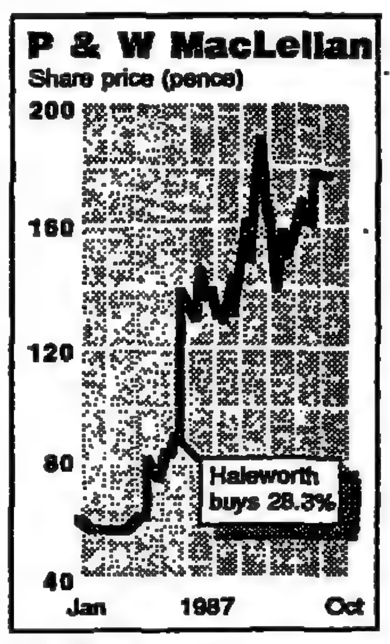
MR PHILIP Ling, an innovative architect of management buy-outs and buy-ins, yesterday brought three of his creations together into one quoted engineering group with an estimated market capitalisation of about £80m.

In what Mr Ling described as a "double reverse" takeover, two private companies, Haden and Haleworth Holdings, will be injected into the considerably smaller *P&W MacLellan*, owner of Spalding, the Lincoln-based agricultural products distributor. Mr Ling, executive chairman of MacLellan since May, will assume the same position at the new group, to be called *Haden MacLellan Holdings*.

With share capital more than five times the size of the existing MacLellan, it will combine Haden, a US-managed maker of paint-finishing and materials-handling systems for the motor industry, with Haleworth, a diversified engineering and distribution group. MacLellan will become a division of Haleworth.

"The Haden companies and the Haleworth companies are very different," Mr Ling said. "There's no pretence of synergy between the two." In their most recent half years, the three companies achieved aggregate pre-tax profits of £1.06m on sales of £59.5m.

Haden, by far the largest, lost £416,000 before tax on turnover of £34.6m in the first half of this year. Mr Ling said, however, that the US motor industry - on which Haden depends for 80 per cent of its business - was poised for a cyclical upturn.



The all-share deal, which is subject to the approval of MacLellan shareholders, values Haden at £40m, not including a deferred cash element of £16m, and Haleworth at £25m, compared with only £15m for MacLellan.

Shares representing about 30 per cent of the enlarged group have been provisionally placed by Barclays de Zoete Wedd at 150p (against MacLellan's suspension price of 176p) to raise more than £22m for some of the Haden shareholders. MacLellan shareholders will be able to claw back the shares through an open offer launched yesterday by Schroders.

The creation of Haden and Haleworth marked milestones in the eventful career of Mr Ling, who became general manager of Johnson and Firth Brown, the Sheffield alloys and engineering company, in the mid-1970s while still in his late 20s. He left in 1982 to join London and Midland Industrials, which had bought several JFB subsidiaries.

Subsequently, as managing director of Haden, he led a successful management buy-out of the engineering company, which thwarted a £37m hostile bid from Trafalgar House in 1985.

He moved from there last year to mount an unusual, and unsuccessful, management buy-in for Simon Engineering which valued the process plant contractor at £200m. In the meantime, he and ex-LMI colleagues had established Haleworth to buy 18 engineering companies (12 of them formerly part of LMI) from Williams Holdings, the industrial group.

In April, Haleworth bought 28.3 per cent of MacLellan to get Mr Ling's management foot in the door.

Mr Ling will hold 3.7 per cent of the new company. His fellow executive directors, Mr Mel Hawley and Mr Clive Mayhead of Haleworth and Mr Art Geiger of Haden, will own a total of 5.8 per cent between them. All four men accepted shares for their entire holdings in the two companies being acquired by MacLellan.

MacLellan yesterday reported interim pre-tax profits of £197,000 (£188,000) on turnover of £3.53m (£3.14m) from continuing operations. The interim dividend is unchanged at 0.7p.

Haleworth, meanwhile, achieved a pre-tax profit of £1.28m on sales of £21.4m in the six months to May 31.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- James Crean, Gresham House, Intl Investment Trust of Jersey.

Finals- Adwest, Clogau Gold Mines, Murray Ventures, St Ives, Save & Prosper Sterling Deposit Fund, Ulster Television.

FUTURE DATES

Interims-	
Arlington Securities	Oct 9
Avis Europe	Oct 14
Grampian Holdings	Oct 7
Harrisons & Crosfield	Oct 14
Hopkinsons Holdings	Oct 30
London & Manchester †	Oct 6
PML Group	Oct 5
Quarto Group Inc	Oct 8
Reed (Austin)	Oct 8
Spirax-Sarco Eng	Oct 14
Tyzack Turner	Oct 8
Finals-	
Adwest	Oct 2
Burgess Group	Nov 2
Edinburgh Inv Trust	Oct 19
Portland Holdings	Oct 27
Savage	Oct 8.

Regina Health beats forecast

Regina Health & Beauty Products, which came to the USM via a placing last March, has beaten its pre-tax profit forecast by £163,000 with £403,000 for the year to the end of June 1987, which represents a 75 per cent increase on the £230,000 for the previous year.

Turnover was 84 per cent up at £1.7m (£924,000) and the operating profit was £403,000 (£247,000). Net interest payable fell sharply to £512 (£16,742). Tax charged was £142,441 (£85,523), leaving earnings per 2p share of 1.68p (1p).

The dividend is 0.284p, as forecast.

Ms Irene Stein, chairman and managing director, said increased profits and earnings per share had been achieved by the continued growth of Regina's domestic and overseas business coupled with a broadening of existing Royal Jelly Health and Beauty products. This had been supported by highly-targeted promotional and direct mail campaigns.

She added that Regina products had recently been launched in Belgium, Holland, Switzerland, Finland, Hong Kong and Singapore. Distribution would be extended to West Germany, Italy, Norway, Cyprus, Australia and New Zealand. This was in addition to France and the United States where aggressive promotional campaigns were meeting with success.

ARC advances

ARC, part of the Gold Fields Group, increased its operating profits from £72m to £88m over the year to end-June on the back of a £69m improvement in turnover at £819m.

Profits from UK Aggregates hit a record £51m as a result of improved margins, partly stemming from increased demand.

US profits rose to £25.1m.

Murray Elect

Murray Electronics, investment trust, upped its net asset value per share from 81.92p to 87.72p at the end of the year to July 31 1987. The proposed dividend for the year is unchanged at 6.2p.

The chairman ascribed the increase to an overall improvement in the performance of the unlisted portfolio where most companies - had shown a healthy growth in sales, with several companies moving from losses to profits during the period.

City and Foreign

City and Foreign Holdings lifted pre-tax profits from £153,000 to £460,000 in the first half of 1987, with earnings per 25p share up from 2.41p to 4.9p. In line with the forecast made at the time of the Linguarama acquisition, there is a single dividend of 2.92p (1p).

Results include Linguarama, acquired in February, 1987, but not the BAS Group which was acquired in July.

Hughes Food buy

Hughes Food Group, is buying C. Anderson, fish processor, for a maximum £4.5m, satisfied by shares and cash. Anderson made profits of £396,000 on turnover of £7.1m in the year to the end of October 1986. Net assets at that date were £997,000.

Dalgety in £1m deal

Dalgety, international merchant, is buying Continental Savouries, maker of chilled and frozen pizzas and pasta, for a total consideration of about £1m.

Mr Maurice Warren, Dalgety managing director, said the "market is fast growing and now worth over £125m a year as more and more people enjoy eating Italian foods at home. We want a part of this growth".

Continental Savouries had a turnover of £1.7m in the year to March 31, 1987. It will become part of St Ives Food Products, Dalgety's recipe meal and meat-processing company.

TR Energy losses up

TR Energy reported pre-tax losses for the year ended June 30, 1987 up from £563,000 to £694,000.

Loss per 25p share was 2.9p (1.8p).

Hugo Dixon and David Lascelles on the revival of Henry Ansbacher

The rewards of patience

FOR A BANK which only two years ago was tottering on the brink of oblivion, Henry Ansbacher has made a remarkable comeback. The £70m rights issue announced yesterday will more than double its net assets and raise it into a league in which its ambitious management and long-suffering shareholders may finally see it making its mark.

The accompanying announcement of changes to the board of its merchant bank subsidiary should help put behind it the bad memories of last year's Guinness affair.

Mr Mark Phythian-Adams has joined the board from Samuel Montagu as managing director for corporate finance, filling the position vacated by Lord Patrick Spens, who had to resign over the Guinness affair.

Mr John Gregory has been promoted to managing director for banking, replacing Mr Harry Sasson who resigned earlier this year. And two new non-executive directors - Mr Frederick Dahl, a former associate director of the Federal Reserve in Washington, and Mr Robert Hodes, co-chairman of Wilkie Farr and Gallagher, a New York law firm - are designed to add further weight to the board.

"Henry Ansbacher needs to be much larger," said Mr Richard Fenhalls, the chief executive who took over in 1985 after the bank was hit by losses from an ill-judged acquisition of a Wall Street investment bank. "We can now move on to the next phase."

Ansbacher's recovery is largely due to the patience of Groupe Bruxelles Lambert/Pargesa, the Swiss-Belgian industrial and financial services group headed by Mr Albert Frere which invested £35m in Ansbacher and took a 75 per cent interest at the height of the crisis. Since then, GBL/Pargesa has reduced its stake to 51 per cent by bringing in other shareholders such as Banque Internationale a Luxembourg, an associate of GBL, and Wafra Intervest of Kuwait.

Richard Fenhalls, left, chairman of Henry Ansbacher, and David Hudson, chief executive

These major shareholders, accounting for 73 per cent of the equity, have agreed to stump up for the rights issue which will raise Ansbacher's net worth from £55m to £125m. Mr Robert Maxwell, a client of the bank who recently increased his stake to 9.9 per cent, is also said to be supportive of the issue.

About £40m will be used to boost the capital of the merchant banking subsidiary to £72m, £7m will go to repay debt on Ansbacher's headquarters in the City and the rest will be used to expand the group's insurance broking subsidiary.

The willingness of the GBL/Pargesa group to channel fresh resources into Ansbacher is said to be an indication of the importance it attaches to it as its foothold in the City market. GBL's strategy is, however, highly fragmented, and the group has stakes in numerous financial and other institutions all round the world, including Drexel Burnham Lambert.

The new capital will enable Ansbacher to move up into the low-to-middle range of merchant banks, and should enable it to shoulder much larger deals. Under the Bank of England's rules, it is unable to lend more than 10 per cent of its capital to any single institution - meaning it has been restricted to lending just over £3m.

This was not considered sufficient, even to service the bank's present clientele of small to medium-sized companies. It was not nearly enough to satisfy the bank's ambitions of widening its client base.

The extra capital will also mean Ansbacher's corporate finance team can take part in larger underwritings and have a bigger market presence. It would engage in a "different sort of business than that with which Ansbacher was previously associated," said Mr David Hudson, who joined the bank as chief executive three months ago.

On the insurance broking side, Ansbacher's eventual plan is to build up an international insurance broking group. This will consist of Seascope, its London wholesale operation, as the central "hub" with retail outlets in the US and Europe feeding it business.

Already Ansbacher owns 50 per cent of Adams & Porter, a *US retail broker*. Other retail outlets will be added as and when suitable acquisition opportunities arise. Mr Fenhalls is confident that further capital will be forthcoming from its shareholders if large acquisitions are needed.

There are also plans to expand into investment management, though Ansbacher is not yet prepared to divulge precisely how it is going to do this.

What the rebirth of Ansbacher appears to show is that it pays to have a sugar daddy in merchant banking. That is so long as you can get on with him, as Ansbacher seems to.

Jacques Vert advances profits to £1.6m halfway

Jacques Vert, USM-quoted ladies fashion wear designer and manufacturer, raised its first half profits from £1.2m to £1.64m pre-tax on the back of a £4m increase in turnover to £10.77m.

Earnings per 10p share rose by 37.4 per cent to 10.9p but due to current investments being made within the group the directors have decided against the payment of an interim dividend.

Substantial increases in sales were achieved in export and home markets (respectively they advanced by 126 per cent and 45 per cent) while retail sales showed an improvement of 114 per cent.

Mr Jack Cynamon, chairman, said further expansion in retail sales would be achieved via the opening of three new shops before Christmas.

He added that was the intention of the directors to capitalise on the considerable potential demand for the company's products by investing in new plant, people and brand advertising.

They expected particular demand from North America and Europe where they said sales were increasing dramatically.

It was pointed out that because the company had succeeded in bringing its Autumn delivery season forward the imbalance between the two halves of the year would not be so pronounced as in the past.

Mr Cynamon said the company's capital budget this year exceeded £1m, all of which would be funded from cash flow. Investment was being made in jacket production via the leasing of a manufacturing site in Deveon.

Doeflex rises 33%

Doeflex, the plastics products company which received a full listing earlier this year, increased pre-tax profits by 33 per cent from £478,000 to £637,000 for the half-year to June 30 1987.

Turnover rose by 67 per cent to £10.05m (£6.03m) and the directors declared an interim dividend of 1.15p (nil) - the company forecast dividends totalling 3.45p when the shares were placed. After tax of £223,000 (£173,000), earnings per 10p share were increased to 4.88p (3.37p).

The directors said that as a result of expansion, the company had experienced increased costs and some dislocation. Despite this, 1987 is expected to be another very satisfactory year.

Demand in most areas was strong, so that the current investments should ensure a useful improvement in the level of activity from 1988 onwards.

There had been particularly strong growth in the PVC compounding division and this was expected to continue. The new polymer distribution division had made a satisfactory start.

British Racing rises

Interim pre-tax profits of **British Thoroughbred Racing and Breeding** released yesterday show an advance from £59,780 to £160,466 in the six months ended June 30.

The operating profit for the period was £157,397 (£36,402) and interest received amounted to £3,069 (£9,629); there was no profit on sale of investments this time. Mr Henry Kelly, chairman, said that the company's horses were running better than ever and prospects for 1988 were equally encouraging.

Wentworth up 19.5%

A 19.5 per cent rise in pre-tax profit was achieved in the year ended April 4 1987 by **Wentworth International Group,** maker of polythene film and bags.

From turnover up 4.5 per cent the profit advanced to £270,000 (£226,000). Earnings were 4.8p (3.79p) and the dividend is held at 1.75p.

The directors said some of the investments were enabling the company to enter new areas. Efforts being made to search out companies which would make a good fit with existing operations.

Triplevest assets rise

Triplevest, a split capital investment trust, raised its net asset value per £1 capital share to £20.09 at end-August compared with £17.18 a year earlier. The interim dividend on the 50p income shares is increased from 6.566p to 7.471p, which represents a full distribution of earnings.

Gross income was £2.74m (£2.5m) and net revenue £1.79m (£1.58m) after tax of £717,000 (£687,000).

Control Techniques

Control Techniques is acquiring 55 per cent of Euro-Controls for an initial consideration of 116,505 ordinary shares. A total of 20,000 shares is being retained by the vendors and brokers Rowe & Pitman are placing 96,505 shares at 260p each.

Further consideration up to a maximum of £1.23m may be payable in new shares in three annual instalments, the amount of which will be dependent upon pre-tax profits of Euro-Controls in each of the three years ending September 30 1990.

Gt Southern buy

Great Southern Group has acquired three funeral businesses. The latest acquisitions comprise H. Bishop & Son of Chard, Somerset; Halcrow & Sons of Andover; and Dowsett & Jenkins of South London.

The consideration comprises £820,000 plus loan repayment not exceeding £165,000.

Sound Diffusion chief may be forced to quit

BY PHILIP COGGAN

Mr PAUL STONOR, chairman and managing director of Sound Diffusion, the electrical equipment leasing group, could be forced to quit after the company produced its audited figures for 1986 - 43 per cent lower than the unaudited figures which it unveiled in June.

Mr Bob Seabrook, deputy chairman of Throgmorton Trust, which has a stake of around 8.5 per cent in the Brighton-based group, said: "Although we have not aligned ourselves with the dissident group of shareholders, given all the uncertainty surrounding the company, we feel that the chairman has little option but to resign."

And Mr Stonor himself in a statement accompanying the figures said that "if shareholders' reactions to the results are clearly unfavourable and, as a direct consequence, the quoted price of Sound Diffusion's shares suffers a sustained and material fall in value, I consider it will be my professional duty to retire from my position."

Yesterday, the shares ended just 3p lower at 53p as disappointment at the figures was countered by continiung takeover rumours.

The announcement of the 1986 results follows several months of disagreement between the company and its auditors, Ernst & Whinney, over the amount of profit on the group's leasing activities which should be recognised for the year.

The figures were due to be announced in June but after an initial statement blaming "anomalies in computer programmes", the extent of the group's disagreement with the auditors soon became apparent.

Eventually, the group announced that, on the basis of its own assumptions, the pre-tax profits for the year were £9.98m meeting the forecast of "around £10m" made by Mr Stonor.

However, yesterday's audited profits were only £5.67m and that was after a change in accounting policy which caused a positive £2m benefit. The profit figure was thus lower than 1985's £5.8m, which itself fell short of Mr Stonor's £7.4m forecast. Earnings per share at 3.84p were also down on 1985's 3.99p.

In his statement yesterday, Mr Stonor, who has sought independent advice in dogged defence of his position, remained defiant. The disagreement with the auditors, he said "does not alter in any way the long term overall release of profit and cash from the new business completed in 1986.

"The argument has not been about trading, but about reporting," he added. "The auditors have required an additional £4m to be set aside for release in future years. We remain convinced that this gives a disproportionately high benefit to future shareholders at the expense of today's".

In the wake of the dispute, the company has asked Ernst & Whinney not to stand for reelection as auditors and is proposing that Arthur Young be appointed when the annual general meeting is held on October 29. Arthur Young has not given any indication whether it accepts the company's views on accounting policies.

The company also hopes to announce a new stockbroker at the agm - its previous broker, Sheppards & Chase, resigned in June.

Yesterday's announcements seem certain to add fuel to the criticism of the group of dissident shareholders which has been pressing for some time for the removal of Mr Stonor, either via his replacement by some outside figure like Mr Tony Cole, of Bestwood, or via a takeover by another company.

But nothing has yet come of any of the rumours circulating in the market, including a possible management buy-out, and Mr Stonor once again denied yesterday that the company had received any takeover approaches.

Empire profits down to £0.1m

PRE-TAX profits of Empire Stores (Bradford), mail order company, for the 28 weeks to August 15 "are rather lower than antcipated" at just £109,000 compared with £2.53m for the 28 weeks to August 9 1986.

The board had warned that the current half year would bear some heavy promotional and development expenditure and inevitably profits in the first half would be depressed. But other factors combined to hit sales and margins.

Turnover increased by 2.3 per cent from £85.9m to £87.9m against planned growth of 8 per cent. The directors said that the specialogues were especially disappointing and Oh-One-Oh! and Elements have been termoinated. The poor weather also had an major impact upon sales performance and sales promotion activities were not as effective as they should have been . As a consequence, prices were reduced more extensively than usual to clear stocks in season and the resulting margins were lower than planned.

Overheads, especially payroll costs, and marketing expenses increased significantly over the previous year (although being held below budgeted levels) in preparationfor the higher sales levels expected in the second half of the year.

A new managing director, Michael Harris, joined on June 1 and has already started to take active steps to strengthen the marketing and promotional activities of the company. There is confidence that the action he is currently taking will lead to levels of profit in excess if those achieved last year. In the second half of 1986/87 profits were £5.19m before exceptional items, and £7.72m for the full year.

Confidence is reflected in the decision to raise the interim payment from 1.5p to 1.65p despite being short earned by some £570,000. Earnings per share were 0.18p (4.19p).

Operating profit for the period was £559,000 (£2.92m) and interest charges amounted to £450,000 (£385,000) with tax taking £40,000 (£962,000).

•comment

Yesterday's figures were worse than either the company or the City expected. The weather caught everyone in the industry out but the shops could at least plaster their windows with sale posters, a high visibility option not available to mail order operations. In addition, sales promotion, never an Empire strength, disappointed; a change in the way VAT on free gifts is calculated added £200,000 to costs; and the specialist catalogues, or specialogues, launched last year were, frankly, a disaster. They made a £500,000 loss on sales of just £1m and, not surprisingly, two of the three have been ditched. Empire has always been number three after Grattan and Freemans but it's trailing further behind with these figures. Sales growth of just 2.3 per cent - against a planned 8 per cent, itself not an inspiring target - looks limp compared with Grattan's just under 20 per cent and Freemans 16.6 per cent. All hope now is on Michael Harris, the new managing director. After dropping 32p to 203p early on, the Harris factor brought the price back to 234p, just 1p down on the day. Assuming pre-tax profits for the year of about £8m, that puts them on a prospective p/e of 17, a bit expensive.

Rivlin at £2.18m

Rivlin, the USM-quoted property group which acquired Mayfair and City Properties in July, produced pre-tax profits of £2.18m for the six months to June 30.

The figures included the results of CMD Property Group which was acquired in May, and compare with £797,000 for the previous eight months.

Mr Louis Freedman, chairman, said the company's confidence and optimism was confirmed by its declaration of an interim dividend of 0.35p, against nil in 1986.

Galliford jumps to £4.6m

Galliford, industrial holding company, lifted taxable profits from a restated figure of £3.2m to £4.63m largely as a result of an increase in margins from 2.95 per cent to 3.75 per cent in the year to June 30 1987. Turnover rose from £107.93m to £123.64m.

The directors proposed a final payment up from 3.8p at 4.1p, making a total for the year of 5.35p (4.8p). After tax of £1.82m (£1.22m), earnings per 5p ordinary share moved up from 5.98p to 8.64p.

Mr Peter Galliford, chairman, said that the group had confidence to plan for aggressive growth, both organically and by acquisition. He said that a one-for-one scrip issue was proposed, together with an increase in authorised capital from £2m to £4.5m.

The reshaping of the group over the past year or so had reduced its dependence on the public sector and competitive contracting, with the range of activities it now offered enabling it to take full advantage of the improved climate in the construction market.

Extraordinary items of £872,000 (£729,000) consisted of closure costs and terminal losses from William Browning (Rugby) and Galliford's property development companies.

WCRS in $10m New York purchase

BY STEPHEN FIDLER

WCRS, the rapidly expanding advertising agency and communications group, is expected to announce today its acquisition of Corporate Graphics, a New York design firm specialising in the production of annual reports.

The move is part of a strategy by WCRS to develop its investor relations business. Corporate Graphics, a partnership with offices in New York and Los Angeles, is regarded as one of the premier American companies in its field.

The value of the deal is understood to be over $10m (£6.17m) in total, with an element of the payment related to Corporate Graphic's earnings over the next four years.

As usual with WCRS acquisitions, the acquired company will run its own business although WCRS is expected to exert financial controls. The two firms are regarded as a good fit, with few overlapping business lines.

Corporate Graphics, which was intending to open an office in the near future in London, is understood also to have been talking to another potential suitor in the UK - a design firm with a strong business in the increasingly sophisticated market in producing annual reports. However, there seems to have been no question of an auction over the company.

Corporate Graphics has produced reports over a number of years for such US companies as Heinz, Unisys and Northrop. It also designed the 1986 report for Thorn EMI.

London Sec

BY MARTIN DICKSON

London Securities yesterday announced that it had decided not to go ahead with its proposed bid for the Estates Property Investment Company, following a ruling by the Takeover Panel.

London Securities had been planning an all-share offer on the basis of three of its shares for every one in EPIC, a bid currrently worth 240p a share.

However, London Securities bought some EPIC shares at 300p when an offer was "in contemplation" and the Panel insisted that any general offer should be made at the same price. But London decided that a bid at this price would not be in the interests of its shareholders.

London Securities holds a 25.1 per cent stake in EPIC, the shares of which closed last night at 240p, down 1p.

Mr Dennis Poole, managing director of EPIC, said the board's view ever since the announcement of London Securities' intention to bid was that the offer could not be in shareholders' interests. He was pleased that the long period of uncertainty was over.

Wade shares soar

Shares in Wade Potteries, porcelain manufacturer, soared yesterday when it announced that it had received an unsolicited approach which involved a possible offer.

However, the board said it felt it would not be in shareholders' interests to pursue the matter at present and the other party had been informed of this. Wade's shares closed at 280p, up 52p.

North Sea Assets

North Sea Assets announced yesterday that it had reached agreement in principle with the bankers, guarantors and lessors of its subsidiary, British Underwater Engineering, on a capital reconstruction and refinancing of BUE.

North Sea Assets announced in August that it could no longer provide necessary support to the company, which is one of Britain's leading diving companies.

As part of the new scheme, North Sea has agreed in principle to inject new equity into BUE and forgive loans. The lenders to BUE have agreed in principle to a substantial write-down of bank and lease debts.

North Sea's shares have been suspended pending completion of the financing, which the company said was designed to "ensure that sufficient resources are made available to BUE to enable it to take full advantage of the expected upturn in the market for offshore services, vessels, and underwater products."

Eagle Trust boost

Eagle Trust, which was formed this year through the merger of Audiotronic Holdings, Mitchell Somers and Midland City Partnership, made pre-tax profits of £1.33m in the first six months of this year and is paying a 0.1p a share dividend. Audiotronic made a pre-tax loss of £149,000 in the same period of last year and paid no dividend.

It is intended that that a final dividend of 0.25p a share will be recommended.

PIFCO has acquired House of Carmen, a distributor of home careand houseware products,for £845,000.

New quality of Mersey

LIVERPOOL is not the most obvious place to put up a brand new office block. Its problems are too well known. Private sector developers had written it off. And that is why English Estates stepped in.

The state property company concentrates on industrial property, putting up units where it perceives there is a demand but where the private sector fears to tread. In Liverpool it branched out into offices in precisely the same style.

Mercury Court is the result - 170,000 square feet of offices on five floors and 21,000 square feet of shops and showrooms. English Estates thought it would take four years to let all the offices. At the present rate of letting, it will take less than a year.

"So far 60,000 square feet is occupied and 70,000 square feet is with the solicitors. Enquiries, if they come to friuition will fill the building," said Rob Bennett, the regional director of English Estates.

Tenants in or arriving include John West Foods, Bank of England, Lloyds Bank, National Westminster Bank, Willis Faber, Silkburn Management, New Zealand Insurance and Chase Property (Northern).

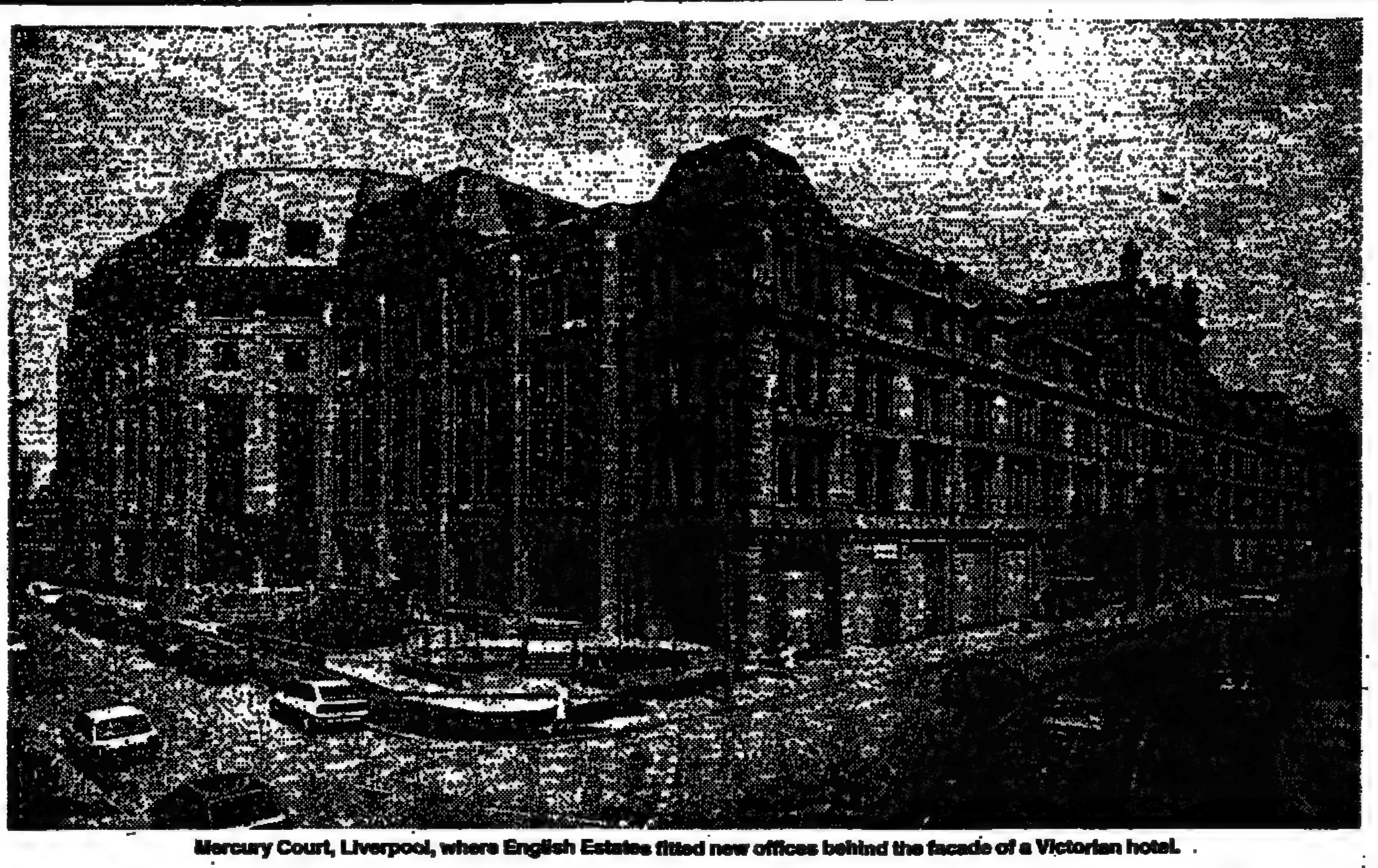
It would be tempting to see in the success of Mercury Court a symbol of the economic renaissance of Merseyside. To be sure, there is an element of that in it. But it seems more likely that special supply and demand factors in the Liverpool market itself have been behind the quicker than expected lettings.

This goes back to 1982 when English Estates bought for £600,000 the languishing site - an old railway hotel which had stopped trading in 1971 and an old railway station the last service out of which had run in 1977. The property had passed from British Rail to the Property Services Agency, which had the stillborn idea of moving a Government Department out of London, to National Car Parks before it found its destination.

At that stage English Estates looked at the market. "We found a gap - there was no high quality accomodation of any size coming through. There was nothing for companies wanting 20,000 to 40,000 square feet," said Mr Bennett.

Mercury Court has provided at least a partial cure for that. But the demand for its facilities has largely been local. Looking at the tenant list, Mr Bennett noted that "the majority are companies with fragmented accomodation around the city; they've taken the opportunity to pull together on one floor. As a result some have been able to expand."

It is in that last remark that there is one element of economic renaissance - the object of English Estates in taking on Mercury Court in the first place.



Mercury Court, Liverpool, where English Estates fitted new offices behind the facade of a Victorian hotel.

It saw Mercury Court as a catalyst for private sector development.

While it is true that British Land is leasing 2 Moorfields, a new block just down the road, and there is a degree of refurbishment going on in the immediate district, it is not true to suggest that all of a sudden the Liverpool office market is blazing.

But, according to Mr Bennett, there are encouraging signs. Developers with property holdings in the central business district of Liverpool are now thinking of redeveloping their holdings. "Eighteen months ago *they wouldn't have thought of* doing it", he said.

The message is that confidence is seeping back. This is in line with the general trend in the offices market outside central London. English Estates, though, with its brief to foster economic growth can lead the pack of the private sector. It can accept returns that would not appeal to a private developer. And its experience with Mercury Court is a faulty yardstick of what might happen.

The cost of Mercury Court, including the land was £14.5m. But, when building started in 1983, *the construction industry* was at a low ebb. It was possible to force down the price contractors wanted to charge. This is no longer the case.

Rents at Mercury Court are running up to £6.75 a square foot, within hailing distance of the rents being charged in Manchester, but, given the perceived uncertainties about Liverpool, they are not at the level that would have developers jumping for joy. Rents at 2 Moorfields are closer to £6.

That said, the rents at Mercury Court are higher than English Estates expected to obtain. "When we looked the original appraisal, we based rents on the level then apparent - about £5. We found a rate of return acceptable to us and the Government", said Mr Bennett.

He conceded that this was lower than would be acceptable to the private sector. At the end of the day he expects the return to be around 8 per cent.

The next thing he has to decide is whether to expand at the back of the property. He has enough room for another 120,000 square feet of space.

The provincial times are changing

ELECTRICITY Supply Nominees, with a £700m portfolio, is one of the big pension fund property investors. It could spend up to £40m a year, and considerably more in 1987 if it so desired, following the sale of the Trocadero in London for £90m, the former home of The Times newspaper for £22.5m and Aztec West near Bristol for £33m.

"We have been looking at retail anywhere. We will now look at offices anywhere. Last year it would have been just retail," said Ian Cockburn, the ESN investment manager.

His remark was a significant example of changing times. One of the reasons why office development has been sluggish outside London has been the fear of the developers that they might not find a buyer. And that fear has been based on the reluctance *of the major* institutions to invest in provincial office developments.

Mr Cockburn's optimism reflects a belief that "we see breaking through in the provinces quite a strong demand generating rental growth; under-supply is coming."

The demand is now showing through both on the ground, as *in the case of Liverpool*, and in the industry indices, even though they are weighted towards the central London market.

Jones Lang Wootton found a 7.1 per cent increase in capital value over the year to last June, against 5.1 per cent for the year to last March and a 12 per cent increase in *the estimated* rental value in the year to last June against an 8.4 per cent increase in the year to last March.

ESN's approach to the market though will be cautious. There will not be investment in depressed urban areas unless the property in question can perform. Nor is ESN likely to go into the market *as a direct* developer.

Rather it will look for office developments in the central business districts of the main towns that it can purchase for investment. Probably they will not over-large, said Mr Cockburn, and they would cost less than £20m - "they start off with a better yield," he added. Between 20,000 and 30,000 square feet is what he has in mind.

ESN can be taken as a barometer of a more confident market. But while it is happy to diversify out of the south east - the area of heaviest concentration for institutional investment - it accepts that this base will always remain the main source of its property income. Just half a dozen properties in the City of London account for around a quarter of the value of its portfolio.

Ford sows seeds of greater tractor reliability

Nick Garnett looks at an example of how agricultural equipment makers are spending heavily on improved production techniques


TOUGH AND big, the farm tractor has been one of the world's most ubiquitous working tools. With maybe 20m of these chunky workhorses in use, the tractor is one of those machines for which the word "durability" might have been coined.

But the modern tractor is a fairly complicated animal and its engineering is by no means invulnerable. Infact, normal day-to-day use often puts it under tremendous strain.

For one thing, much of its "plumbing" - the pipes and hoses carrying the liquids that keep it going - are pretty well exposed to the elements, vulnerable to a cow's hoof, a careless foot or a flying rock. Its lifting hydraulics may be sophisticated but they are also sensitive.

The tractor has to work in some pretty awful terrain and its typical driver will ask more from it than it was designed to deliver.

Beyond that, the tractor is made up of many components, like those in its engine and transmission which, as in a private car, sometimes fail. "The difference is that a tractor out of service hits the farmer's livelihood," says Bob Friedlander, managing director of Ford New Holland's tractor manufacturing in the UK. "Quality and reliability are vital to him."

In an industry where most of the world's six largest tractor producers are turning in losses this year and are trying to drive down production costs in order to get back into the black, the impact of high scrap rates on the shopfloor and repair costs out in the field only compound the headaches.

Ford is an example of the huge amounts of money many agricultural equipment companies have been spending to improve quality and, with it, productivity.

The company has spent some £80m on new equipment in the past seven years at its big tractor plant in Basildon, England, which is now the company's main factory for supplying the northern hemisphere. Friedlander says all but £10m of that investment is directly linked to making higher quality components in a shorter time. Within the past three years alone, he says, faults in items manufactured at Basildon have dropped by 40 per cent and, as a result, customer complaints have fallen by a similar percentage.

The Essex plant assembles 3,4 and 6 cylinder tractors from 30 to 120 horse power, as well as manufacturing engines for them and some of their other principal components. It has recently been producing tractors at the rate of about 155 a day.

Drivers ask more from tractors than they were built to deliver

Some of the improvements at Basildon have come from labour changes. These include the introduction of a common grade known as Mechanical, Maintenance Craftsmen or MMC (referred to irreverently on the shopfloor as the Micky Mouse Club). Machine operators do more of their own quality control now and a large number of "repair standards" have been removed.

The latter change has been important, the company says. For example on the cylinder block line, faulty machining which caused deep scoring could be rectified by sleeving. Machine operators were told that sleeving was being eliminated and that from now on a badly scored block would have to be scrapped. The initial repercussion was that the scrap rate went up. But over a period, without the sleeving safety net, first-time machining quality has improved substantially. Ford says machine operators are hungry to take over direct responsibility for quality. In the past three years the number of shopfloor inspectors has plummeted from a hundred to about a dozen.

Most of the raised standards of quality and cost saving, however, are directly linked to the introduction of new equipment.

That is not to say that the whole of the Basildon operation has up-to-the-minute machinery. Friedlander has also decided that he cannot see where automated guided vehicles could be usefully installed in Basildon and has fought off an attempt by US staff to foist on the British site a piece of modern lifting equipment known as a silent hoist.

But there is a lot of new machinery at Basildon. Some of the big pieces of reinvestment were introduced in the early 1980s. Cross International, part of the US Cross and Trecker group, installed a cam and crank boring machine on the cylinder block line. It cost £2.6m and has saved £300,000 per year in quality and productivity costs. Before the introduction of this machine, Ford was scrapping 2,000 blocks a year and reworking a similar quantity.

Another machine, costing £100,000, automatically inserts the camshaft bush into the cam bore of the block. Bushes are loaded into a hopper and then automatically orientated to line up with the oil feed holes in the cam bore. The saving from this project was one operator per shift and constant, as against somewhat more haphazard, insertion of bushes.

Cross also installed a £7m integrated machining system for manufacturing lift covers in a single operation. These are lumps of metal supporting the cross shaft where farm implements are attached to the tractor. The total productivity gain from this was £1.1m per year, with manning levels - reduced from 39 people on three shifts to four on a single shift.

This line, which was introduced five years ago demonstrates how machine technology is advancing. Eden Diver, a senior manager with Cross in the UK says that this kind of machine could now be supplied at 18 per cent less cost. It would also now come with infinitely programmable servo drives and other features, and could handle a larger variation in component sizes.

One of the most significant advances in the past two years has been made through the purchase of two very specialist grinding machines manufactured by Tschudin of Switzerland. These machines are relatively small but together have cost more than £400,000.

New equipment has resulted in most of the quality gains

They are used for match-grinding hydraulic control valves and the bushes they fit into. An electronic probe is manually inserted into each bush, and the information about the exact size of the bore of each individual bush is then fed into the electronic control box of the Tschudin machine. The machine then grinds the control valve to within 2.5 microns to get the exact required fit for each individual control valve. This has taken the first-time success rate for control valve manufacturing from 84 per cent to 100 per cent.

Getting a perfect fit like this prevents leaks. Ford says that eventually the success of these machines could mean that one back-up valve helping to control leaks could be taken out of the engine. It sounds wild but the company says this could save up to £200,000 a year in production costs.

Some of the high cost of these Tschudin machine tools derives from their advanced ball bearing technology which allows such precision. But a sign of the times for the more sophisticated machine tool is that the Tschudin's control box is about a quarter the size of the actual machine.

Another batch of performance improvements have been squeezed out of component design changes. One example is the cylinder head gasket. Ford says that up to now one per cent of gaskets fitted to the four-cylinder engine developed leaks within a year. It has cut into this by the simple expedient of enlarging clamping bolts from half an inch to nine sixteenths.

Automatic machines which torque up cylinder head bolts and which can handle bolt tensioning are currently being introduced into the farm machinery industry, and should help tractor companies make further strides in leak prevention.

Over the last three years, new equipment has helped Ford reduce component faults on the engines Basildon makes from more than 1.5 per engine to 0.84. It has also helped in allowing Ford to reduce its workforce and overheads at Basildon at the rate of 6 per cent a year during the past seven years.

Perhaps proving another point though, not all production equipment at Basildon is modern. Friedlander argues that capital investment in some areas could not be justified and that some of the new machinery installed in the past decade or so could still be around in the plant in another 20 or 30 years. Right in the middle of the Basildon facility is a rather famous cylinder head line - the one used to make components in the US for the ill-fated Edsel car back in the late 1950s.

Price liquidity in the supermarket

FRENCH COMPANY Epsi 'Lanne of Paris is introducing into the UK an electronic system which replaces the printed shelf labels in supermarkets with liquid crystal displays, and allows immediate price changes at both shelves and check-outs.

The system is based on a data network which connects the shelf locations and check-outs via a programming terminal. Each of the shelf labels, in various colours, shows the product name, store code, the price per unit, weight or volume, and the price of the item.

The display also has a directional arrow segment which shows the customer where the goods are in relation to the display. In addition, a light flashes in the top right hand corner if the product is the subject of a special promotion.

For stocktaking, a hand-held data collection unit can be plugged into the display unit. This records all that is on the screen, after which the assistant enters the stock count on the collection unit's numeric keyboard.

Turks and Caicos catches the wind

INDAL TECHNOLOGIES of Toronto, Canada, which is part of the RTZ Corporation, has installed a 62 feet high, 50 kilowatt wind-powered electrical generator on the Turks and Caicos Islands in the West Indies.

This single unit, part of a feasibility study for a larger project, is expected to yield a one per cent saving in the cost of the diesel fuel normally used to drive generators. Discussions are taking place for the development of a C$800,000 project which would result in a 10 per cent reduction in the fuel import bill for the islands.

Chicago domes on the British horizon

CONCRETE DOMES could soon become part of the UK industrial landscape. H.P. Domes of Chicago has appointed Roger Bullivant, a Burton-on-Trent company of structural engineers, as licensee. And a new company, RB Airshells, has been set up to manufacture and market the domes.

These structures can offer a column-free area of 250 metres in diameter, and are cost effective as storage buildings, processing plants, leisure or sports centres. They can even be used for hotel and office accomodation.

The domes are fabricated by inflating a tough rubberised polyester fabric and covering the exterior with an 80mm layer of reinforced concrete. Later, waterproofing and colour coats are applied. When the rubber former is deflated, a strong, self-supporting structure is left, with an expected life of at least 25 years. Door and window openings can be incorporated, and Roger Bullivant claims the technique is one of the cheapest building methods yet devised.

Toshiba has key to quick translations

TOSHIBA, the Japanese electronics group, has developed a personal language learning device called IC-Voice, in which an integrated circuit card is plugged into a unit about the size of a personal cassette machine.

The user can then choose and immediately hear one of a selection of key foreign language phrases through headphones. He can also record a phrase himself (up to eight seconds) for immediate comparison with the instructor's version on the card.

Toshiba is to supply International Learning Systems Japan (ILS) with 50,000 of the units over three years under a contract recently signed by Robert Maxwell, chairman of ILS and of Maxwell Communications Corporation in the UK.

In Japan, ILS distributes English language educational materials produced by the BBC.

WORTH WATCHING

Edited by Geoffrey Charlish

J. Brown automation comes home to roost

A LEADING factory systems supplier in the UK, John Brown Automation of Coventry, is applying computer network assistance to one of its own principal activities, the design of automated manufacturing systems.

The company recently won a £8m engine plant order from Austin Rover and has supplied major systems to Russia. It called in Computacentre, the London microcomputer system company, to design and install the new £250,000 network.

Based on IBM-compatible machines, the Ethernet data network draws together computer-aided design (CAD), desk-top publishing and the design of software for John Brown's factory automation products.

Three proprietary CAD programs can be used on three different terminals at the same time, while on another, documentation is prepared using Rank Xerox Ventura software working into a laser printer and a drawing plotter. Simultaneously, four of the workstations can be used for writing software to control robots, sensors, tools and other items in John Brown's products.

All the workstations use the same data base, so that the same information is available to all the users at any moment. Overall system control is by Computacentre's Philosopher disk management system.

Eventually, John Brown plans to link office and manufacturing systems using optic fibre and MAP (manufacturing automation protocol) communications.

The Norwegian eye for perfect cables

A NORWEGIAN electronics company, Data Optics, of Bekkestua, has developed a fully automatic and comprehensive visual inspection system for plastic and rubber extruded products. The company claims it is the only system that will control, in one, on-line process, dimensions as well as the surface characteristics of hoses, tubes and cables.

Direct costs are therefore saved in extrusion plants because the work force per shift can be reduced, and there are significant product quality improvements, says the company.

CONTACTS: Epsi 'Lanne: UK office, 091 416 9577. RTZ: London, 930 2399. Roger Bullivant: UK, 0283 219522. Toshiba: Tokyo, 457 2104. Computacentre: UK, 0923 32202. Data Optics: Norway, 2 530067.

NOTICE OF PREPAYMENT

NEWFOUNDLAND AND LABRADOR HYDRO

US$ 75,000,000 17¼% Bonds due 1989

Pursuant to paragraph "Prepayment" of the Terms and Conditions of the Bonds, notice is hereby given that Newfoundland and Labrador Hydro will prepay, on November 18, 1987, the total amount remaining outstanding of the above-mentioned bonds at 102% of their principal amount.

Payment of principal, premium and interest will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on Bonds as from November 18, 1987.

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Luxembourg, October 2, 1987.

Legal Notice

Registered No. 1379330
Registered in England and Wales
TELEPOST SYSTEMS LTD
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above company will be held at The Offices of Cork Gully, Phoenix House, Station Hill, Reading at 11.00 am on Wednesday 14 October 1987 for the purpose of having laid before it a copy of the report prepared by the administrative receiver under section 48 of the said Act and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 12.00 hours on Tuesday 13 October 1987, written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

Signed: J.M. Iredale
Administrative Receiver
Cork Gully
Phoenix House
Station Hill
Reading RG1 1UN

Date: 22nd September 1987

BYPASS LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at the Grand Hotel, Aytoun Street, Manchester M1 3DR on the 7th day of October 1987 at 11.30 am for the purposes mentioned in sections 48 and 49 of the said Act.

A creditor is entitled to vote at the meeting only if:

(a) he has forwarded to the joint administrative receiver, Mr D. A. Wild of Binder Hamlyn Scottish Provident House, 52 Brown Street, Manchester M2 2AU not later than 12.00 hours on the 6th day of October 1987 details in writing of the debt that he claims to be due to him from the above named company, and the claim has been duly admitted, and

(b) there has been lodged with the joint administrative receiver any proxy which the creditor intends to be used on his behalf.

Dated this 21st day of September 1987.

D. A. Wild
Joint Administrative Receiver

Company Notices

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

A French "société anonyme"
Share capital of 549,571,550 French Francs
Registered Office: 30 avenue Hoche — 75008 Paris
Registered with the Registre du Commerce et des Société under reference PARIS B 775 670 417

* * *

WARRANT 1987-1990 WITH A SUBSCRIPTION PRICE OF FF 2,720 — NOTICE TO WARRANT HOLDERS —

NOTICE IS HEREBY GIVEN THAT, pursuant to a resolution passed at an Extraordinary General Meeting of the shareholders held on September 2nd 1987, the board of directors of LVMH MOET HENNESSY LOUIS VUITTON decided on September 16th to increase the share capital from FFR 457,976,300 to FF 549,571,550 by incorporation of Share premium account and creation of 1,831,905 shares.

These shares will be distributed to the shareholders on the basis of 1 new share for 5 shares outstanding on September 16th, 1987.

Pursuant to the terms and conditions of the warrants conditions the entitlement of the warrants has been amended to take account of this operation.

Consequently, the new entitlement, effective October 6th 1987, is 1.20 share for one warrant with a subscription price of FF 2,720.

THE BOARD OF DIRECTORS

COMMODITIES AND AGRICULTURE

EC aid sought to combat fishy story

By Tim Dickson in Brussels

"The power of the Press" may be widely acknowledged but the influence of the media in West Germany is literally reaching a new scale.

A recent television programme from the Federal Republic highlighting a potential health threat from eating fish sent the Bonn Government this week scurrying to Brussels for support.

The broadcast in question, which went out in mid-August, drew attention to the fact that a particularly nasty sounding parasite called nematodes (a type of thread worm), can be found in many species and that when not "properly gutted or cooked" can cause severe intestinal problems for several days.

The result of this "scare story," as the State Secretary for Agriculture and Fisheries Wolfgang von Geldern, explained to his colleagues in the Fish Council on Tuesday evening, has been a dramatic collapse in consumption of all types of fish, notably in the southern part of the country and ranging from 40 to 60 per cent depending on the region.

Mr von Geldern's decision to raise the matter in a European Community context was prompted not just by the need to get Brussels' approval for his Government's proposed DM1.5m ($820,000) package of emergency aid for retailers, processors and producers but by the feeling that steps should be taken to restore faith in fish through an EC-wide publicity campaign and to harmonise hygiene regulations in all the member states (something which the Commission is in fact already considering).

His suggestion was that DM 500,000 could be allocated from the EC's structural funds for such propaganda purposes.

Mr Antonio Cardoso de Cunha, the Portuguese Fisheries Commissioner, promised to go away and consider all the points but other delegations (notably the Dutch and the British) clearly had reservations about the German approach and felt that the Community should not over-react.

The Dutch pointed out that the problem of nematodes had been known for many years while Mr John Gummer, the UK Minister, reminded his colleagues that the British sausage had once come in for similarly disrespectful media treatment and that inevitably it would take time to repair the damage.

'Destroy surplus food' urge European MPs

BY TIM DICKSON IN BRUSSELS

A GROUP of European MPs have called on the European Commission to look closely at the possibility of destroying a part of the Community's surplus food stocks.

The controversial issue is raised in a new report based on a special investigation into the problem of stocks in the agricultural sector which has been carried out over the last few months by a committee of the Strasbourg Parliament.

This also calls on the Community to fix for the first time "normal" levels of excess food quantities, to increase the volume of food aid to the developing world, and to pursue a more market orientated price support policy for European farmers.

The question of whether or not to destroy surplus food stocks has always been a highly sensitive one in Brussels for obvious political and humanitarian reasons. The conclusions of the European Parliamentary investigation, which will be debated by a full plenary session of the assembly later this month, point out that "from a strictly economic point of view the destruction of old stocks can be justified."

Bearing in mind, however, the grave ethical problems, adverse public opinion and the need to limit such action "to a minimum," the report calls on the Brussels executive to 'initiate an in-depth study on all aspects of destruction where stocks have been fully depreciated because of loss of market value and storage costs."

The European Commission has itself not excluded this most drastic of options, notably for the large quantities of butter in storage which are more than three years old. But as a spokesman put it last night—"we must first look at all the alternatives which would be preferable for political and financial reasons. We are, for example, talking to the food industry about selling them some of the stock for animal feedstuffs and contacts are also taking place with the paint and soap industries."

Destruction of food, of course, is not unknown. A significant part of the fruit crop in California, for example, is thrown away every year and from time to time the European Community has had no option but to dispose in this way of fruit and vegetables

Elsewhere in its conclusions the European Parliament report spells out what its authors think should be "normal" stock levels for the principal products. The suggestions are 12m-15m tonnes for cereals at the end of a campaign (against roughly 16-17m in store at the moment); 200,000 tonnes of skimmed milk powder (against roughly 600,000 tonnes now); 200,000-300,000 tonnes of butter (compared with 950,000); 100,000 tonnes of beef (against 700,000) and 100,000 tonnes of olive oil.

Many of the ideas for reducing the cost of the Common Agricultural Policy are already reflected to a greater or lesser degree in the Commission's policy approach. But the tone of the report, while reiterating some of the fundamental principles of the CAP, is noteworthy for being more market orientated

French commodity markets plan

BY PAUL BETTS IN PARIS

THE French Government is planning to boost the competitiveness of France's commodity markets by harmonising the country's two futures markets under the same regulatory body and studying possible tax cuts for commodity dealings.

The move, announced by Mr Edouard Balladur, the French finance and economy minister yesterday, is a response to the increasing competition from US and London futures markets, particularly in the white sugar sector.

The most significant aspect of the reform is the proposal to reduce the tax rate on profits in the commodity market to the same level as those applying to capital gains in the stock market and on financial futures. The current rate for comodities is 58 per cent while the rate in the other markets is only 16 per cent.

At the same time, the commodities and financial futures markets will come under the authority of the same supervisory body, the Marche a Terme des Instruments Financiers or Matif. This will mean that brokers dealing in commodities futures will now also be able to deal in the fast growing French financial futures market.

Mr Balladur said in a statement that the measures were being taken to help support the commodities futures markets in France. He added that the unification of the French futures markets under one institutional body was "an important element to make Paris a major international financial centre."

Lower wheat output forecast

BY RICHARD LANDER

THE INTERNATIONAL Wheat Council (IWC) has lowered its forecast of world wheat production in the year to next June by 12m tonnes of 506m tonnes because of poor harvest weather in several important growing countries in the northern hemisphere.

The new estimates, in the IWC's latest market report, put the current year's output even further behind the record 535m tonnes produced in 1986/87. Since the council made its last estimate in July, the dismally wet summer in western Europe has produced crops some 6m tonnes below expectations.

Poor weather has also led to the Canadian crop estimate being lowered by 2m tonnes to 25m tonnes.

As indicated by reports from Moscow, the Soviet wheat crop has also suffered and the IWC now estimates production at 80m tonnes, 2m below the July estimate.

Despite the use of improved cultivation methods and performance-related incentives in the Soviet Union, the IWC said that "any gains achieved . . . were probably more than offset by the adverse effects of some of the most difficult conditions ever recorded."

However the council said it was tentatively raising the overall Soviet grain crop by 5m tonnes to 200m tonnes—still 10m tonnes below last year's figure—because of higher coarse grain production. Soviet grain imports are now expected to total 32m tonnes against 38m in the previous forecast.

World output of all grains is now estimated at 1,311m tonnes, 19m tonnes down from the last forecast, compared with 1,380m in 1986/87.

Oil and fats is hottest issue

OF ALL the proposals so far put forward by the Commission for controlling the costs of the Common Agricultural Policy, that for oils and fats is the most controversial.

So deeply divided were the Community's farm ministers when they discussed the issue last summer that the proposals went to the heads of government. But despite detailed debate and no fewer than four interventions from Mrs Margaret Thatcher, the British Prime Minister, who refused to have anything to do with what has become known as the oils and fats tax, even the summit failed to resolve the differences.

At the summit, the Commission agreed to study the issues further and report later this month. But the betting in Brussels is that the proposals will remain on the table virtually unchanged, a certain focus of controversy when the farm ministers resume negotiations on the Commission's proposals as a whole in three weeks' time.

The oils and fats sector presents a superficially similar picture to the other major commodities supported through the CAP. As the graph shows, production of the main oilseeds—rape, sunflower and soya—have increased markedly, as have costs.

The regime cost Ecu 1.7bn in 1984, Ecu 2.9bn in 1986 while this year, even with quite substantial cuts in subsidies, estimates are for Ecu 4bn. The sector is the third most costly to support after milk and cereals.

That is bad enough to warrant action, the Commission believes, but a worse worry looms. Spain, in particular is a large producer of oilseeds and fats—notably olive oil—though sunflower seed production, at just under 1m tonnes, is increasing. When Spain and Portugal are fully integrated into the CAP support systems in 1991, the cost of the oils and fats sector could be more than Ecu 6bn.

The support system for oilseeds, which began in 1966, differs from those governing milk, beef or cereals in not relying on heavy import tariffs to protect a high price to the producer. In the 1960s the EC imported most of its oilseed requirements, so tariffs were left at ero or very low levels.

They remain there today, though the EC is now self-sufficient in sunflower oil and produce 19 per cent more rape and 17 per cent more olive oil than it needs, leaving only soya as a major import, mainly from the US.

This means that the EC producer is subsidised by so-called deficiency payments or producer aids, which make up the gap between the world price and an EC target price. The payment is actually made to the oilseed crusher, but the effect is to subsidise the producer.

The consumer gets the benefit of cheaper prices but the EC budget suffers. Payment is made on every tonne produced, and with current low world prices, the payments are correspondingly high.

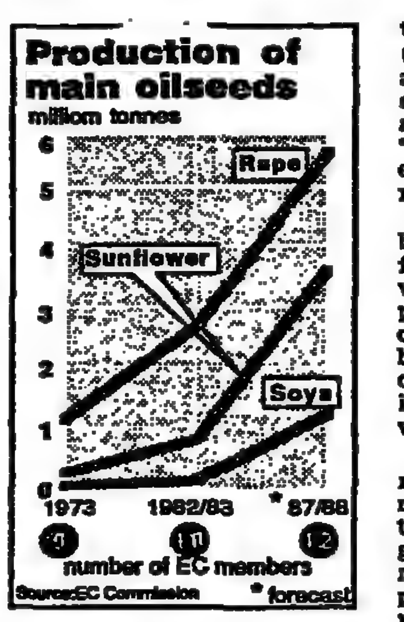
In the third article of our series on European Commission plans to cut the spiralling cost of EC farm policies, BRIDGET BLOOM looks at the oils and fats sector, where the proposed new tax has deeply divided member states.

Olive oil has a different and more complicated support system involving tariff protection, buying-in to intervention stores, export refunds and a form of deficiency payment. Production trends are relatively stable, averaging 1.4m tonnes a year, but the Commission estimates that the cost of extending the regime to Spain without changes could cost an extra Ecu 1.2bn a year.

The nature of the support system for oilseeds is an important key to understanding the Commission's concern at the likely impact of a continued rise in production, as well as the methods it has chosen to try to reduce the cost of the regime to the budget. For with its proposal to introduce an oils and fats tax—in effect a tax of some Ecu 370 per tonne on vegetable and marine oils but not on animal fats—the Commission is attempting to shift the burden of paying for the subsidies on oil seed production to the consumer.

The tax would roughly double the present price of refined oil, and would, the Commission estimates, raise an extra Ecu 2bn in revenue. As well as helping to pay for the regime now, this could ease the problems of the extra payments needed later for Spanish oils.

The Commission insists that its tax (which it calls a stabilisation mechanism) must be seen as an essential complement to a package of measures, the first stage of which was agreed last June and became effective from July 1. These include an overall 3 per cent reduction in subsidy; an attempt to limit the buying of surpluses into intervention (a facility which appears on the verge of being used for the first time); and most importantly, they establish a production threshold, which if exceeded, reduces the deficiency payments.



For rapeseed, for example, a production threshold of 3.5m tonnes has been set, although latest estimates suggest that production this year may be nearer 6m tonnes. For each 1 per cent by which production exceeds the threshold, the producer support drops by an equivalent amount until a maximum of 10 per cent reduction is reached.

In Ecu terms, this means a 20 per cent price reduction for the producer though with currency adjustments the effective decrease is often smaller —17 per cent for example in Britain.

For next year, the Commission has proposed (but ministers have not yet agreed) that the limit be increased to 15 per cent, then 20 per cent and finally abolished altogether.

The proposed oils tax created a storm of protest for three principal reasons. First and most important, it is seen by its opponents — most notably Germany, the Netherlands and the UK — as discriminating against soya imports from the US, and the palm oil of developing countries like Malaysia and Indonesia.

A trade war is feared just as there are moves within the Gatt (General Agreement on Tariffs and Trade) to try to free agricultural trade. The US has already let it be known that a "hit list" of EC industrial exports could be drawn up for retaliatory discrimination.

The tax is also criticised because it would mean dearer food — like margarine — which tends to be consumed by poorer people, and because it could distort competition between vegetable and marine oils, which would be subject to it, and animal fats like butter, which would not.

Britain, which has proved its most vehement critic, also makes the broader point that the tax would be highly retrogressive, in that it would create new sources of income to support agricultural production when what is needed is tough action to bring market forces to bear on the sector.

Supporters of the tax, like France, tend to argue that it would reinforce the principle of Community preference and would raise much needed revenue for a budget under increasing pressure. The Commission argues that it would not be discriminatory because it would be applied on refined oil, and would thus affect the EC and non-EC suppliers equally.

There has been much speculation on how the issue might be resolved, ranging from the suggestion that the Commission produced the proposal in the first place to frighten ministers into action, and might be prepared to withdraw it in favour of a (so far unspecified) compromise when the time comes, to the possibility that a key country like Germany might withdraw its opposition to the proposals, thus removing the possibility of a blocking minority when it comes to a vote. But so formidable is the opposition, and so fundamental the differences that either of these solutions seems a long way off.

LONDON MARKETS

COFFEE PRICES advanced strongly in London yesterday as optimism returned to the market over the outcome of the International Coffee Organisation's talks on export quotas. The decline of sterling against the dollar and a firmer trend in New York helped the advance, said dealers. Yesterday's scheduled council session of the ICO was postponed until this afternoon to allow more time for a contact group of producer and consumer countries to attempt to reach a compromise on the distribution of export quotas among producer countries. Cocoa prices also closed higher, buoyed by higher New York prices and lower sterling, as well as concern over the lack of good quality cocoa coming on to the market for nearby delivery. On the London Metal Exchange aluminium prices moved irregularly throughout the day. Morning trading was unsettled by a sell-off in copper, but the downtrend lost momentum and metal for three-month delivery ended £8 a tonne up at £1,111.50.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	1920-30	—35	—
3 months	1810-20	—5	—

Official closing (am): Cash 1,950-60 (1,920-40); three months 1,815-25 (1,800-5); settlement 1,955 (1,940). Final kerb close: N/A. Ring turnover: 500 tonnes.

99.5% purity	£ per tonne		
Cash	1199S-1200	+20.5	—
3 months	1111-12	+8	1115/1093

Official closing (am): Cash 1,195-1,200 (1,181-2); three months 1,105-6 (1,092.5-3); settlement 1,200 (1,182). Final kerb close: 1,110-11. Ring turnover 14,500 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1135-40	+5.5	1136/1135
3 months	1119-20	+2.5	1122/1110

Official closing (am): Cash 1,135-5.5 (1,136-7); three months 1,114-15 (1,121-2); settlement 1,136 (1,137). Final kerb close: 1,120-1.

Standard			
Cash	1135-9	+7.5	—
3 months	1115-18	+5	—

Official closing (am): Cash 1,132-8 (1,131-4); three months 1,110-13 (1,117-20); settlement 1,135 (1,134). US producer prices 83.5/88 cents per lb. Total ring turnover: 44,975 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	368-9	+12	372/358
3 Months	363.5-4	+8	367/354

Official closing (am): Cash 367-8 (354-5); three months 363.5-4 (353.4); settlement 368 (355). Final kerb close: 364-5. Ring turnover 12,825 tonnes. US spot: 42 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3320-30	+37.5	3310
3 months	3320-5	+50	3340/3300

Official closing (am): Cash 3,305-10 (3,280-5); three months 3,300-5 (3,280-5); settlement 3,310 (3,285). Final kerb close: 3,340-5. Ring turnover 690 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	470-2	—3	—
3 months	473-4	—2.75	474/472

Official closing (am): Cash 470-2 (473-5); three months 473-3.5 (475-6); settlement 472 (475). Final kerb close: 472-3. Ring turnover 6,900 tonnes. US Prime Western: 43/43.75 cents per lb.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price	Calls		Puts	
	$/tonne	Nov.		Nov.	
Aluminium 99.7%	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,725	—	87½	—	—
	1,900	47½	—	—	—
Copper (Grade A)	1,800	—	71½	—	—
	1,850	40½	—	—	—
	£/tonne				
Copper (Grade A)	1,125	—	38	25	—

TIN

KUALA LUMPUR TIN MARKET: Close 16.95 (16.96) ringgit per kg. Down 0.01 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	Oct. 1	
Close	$464¼-466¼	(£281¼-281¾)
Opening	$455-455½	(£280¼-280¾)
M'n'g fix	$454.10	(£279.446)
Aft'n'n fix	$454.90	(£280.808)
Day's high	$455-455½	—
Day's low	$453½-454	—

GOLD AND PLATINUM COINS

Am Eagle	$467½-472½	(£289-292¼)
Mapleleaf	$467-470	(£288¾-290½)
Kr'g'r'nd	$453-455½	(£280-282¼)
½ Krug.	$241-248	(£149-149½)
¼ Krug.	$125-126	(£77¼-77¾)
Angel	$464-467	(£288¾-288¼)
1/10 Angel	$49-53	(£29¾-32¾)
New Sov.	$107-108	(£66¼-66¾)
Old Sov.	$107-108½	(£66¼-67)
Noble Plat.	$583-592	(£360½-366)

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 96.59p per kg lw (+0.61). GB—Sheep 171.90p per kg est dcw (+16.05). GB—Pigs 77.35p per kg lw (+3.91).

FUTURES—Pigs: Nov 101.00, sales 15.

INDICES

REUTERS

Oct. 1	Sept. 30	M'th ago	Year ago
1640.7	1640.3	1640.5	1555.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 30	Sept. 29	M'th ago	Year ago
Spot	126.15	126.54	—	123.11
Fut	129.21	130.87	—	122.68

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Nov. 1 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1940/980	+50	$1985/995
Copper			
Cash Grade A	£1139	+5.5	£1031.5
3 months	£1119.5	+2.5	£1016.25
Gold Troy oz	$455	—4.25	$454.25
Lead Cash	£368.5	+12	£408.5
3 months	£363.75	+8	£388.25
Nickel			
Free Mkt	242/252c	+1	237/257c
Palladium oz	$133.50	—3.25	$138.75
Platinum oz	$562.50	—20.10	$607.00
Quicksilver†	$300/310		$280/290
Silver troy oz	465.35p	—3.55	465.60p
3 months	477.55p	—3.55	475.00p
Tin			
free Mkt	$4180/210	+20	$4140/170
Tungsten	$53.78		$55.47
Wolfram 22.0lb	$38/50		$43/55
Zinc	£471	—5	£453.5
3 months	£473.5	—2.75	£457.75
producers	$880		$850
OILS			
Coconut (Phil)	$490t		$510
Palm Malayan	$365z		$325
Seeds			
Copra (Phil)	$330		$315
Soyabean (U.S.)	$158v	+5	$147
GRAINS			
Barley Fut. Jan.	£104.60	+0.30	£100.00
Maize	£132.75	+1.25	£133.00
Wheat Fut. Jan.	£109.60	+0.90	£104.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1235.5	+7	£1247.5
Coffee Ft. Jan	£1339.5	+27	£1547.5
Cotton A Ind.*	80.10c	+0.95	84.50c
Gas Oil Nov.	$163.25	—0.25	$158
Rubber (kilo)	67p	—0.25	69p
Sugar (raw)	$159w	—4	$152.4
Wooltops 64s	488p kilo		487p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. u Sept-Oct. y Nov. z Dec. t Nov-Dec.

SILVER

Silver was fixed 3.5p an ounce lower for spot delivery in the London bullion market yesterday at 465.35p. US cent equivalents of the fixing levels were: spot 756c, down 9.25c; three-month 770.8c, down 9.4c; six-month 787.25c, down 9.35c; and 12-month 820.25c, down 9.45c. The metal opened at 464-465½p (753-755c) and closed at 466½-468p (754-756c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	465.35p	—3.50	752c	—9
3 months	477.55p	—3.55	767c	—9
6 months	489.65p	—3.55	—	—
12 months	512.65p	—3.60	—	—

Three months final kerb 765.8c.

LME—Turnover: 0 (0) lots of 10,000 oz.

COFFEE

Robustas opened firmer than due with early trade buying, reports Drexel Burnham Lambert. Underlying optimism buoyed up values early in the session in quiet conditions. Later news of possible progress between consumers and producers prompted a steady advance with commission and trade house buying.

COFFEE	Yesterday close	+ or —	Business done
Sept.	1308-1310	+21.5	1310-1260
Nov.	1339-1340	+27.0	1339-1310
Jan.	1360-1361	+19.0	1360-1335
Mar.	1378-1380	+16.5	1374-1355
May	1392-1395	+10.5	1390-1376
July	1405-1410	+10.0	1409-1391
Nov.	1430-1440	—	1434-1425

Sales: 3,631 (3,673) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 30: Comp. daily 1979 102.90 (104.52); 15-day average 104.20 (104.53).

COCOA

Due to open unchanged, futures in fact eased quickly to life-of-contract lows before rallying late in the day to close on a steady note. Physical business was restricted to light manufacturer price-fixing with producers still withdrawn, reports Gill and Duffus.

	Yesterday's close	+ or —	Business done
	£ per tonne		
Dec.	1193-1194	+6.5	1196-1170
March	1225-1226	+7.0	1226-1200
May	1246-1247	+6.5	1247-1225
July	1269-1270	+10.0	1270-1245
Sept.	1287-1290	+8.5	1285-1265
Dec.	1307-1312	+8.0	1310-1290
March	1334-1335	—	1335-1319

Sales: 8,307 (9,034) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for October 1: 1490.48 (1468.06); 10-day average for October 2: 1539.17 (1541.15).

GRAINS

LONDON GRAINS—Wheat: US dark northern spring no 2 14 per cent Oct 95.25, Nov 96.50. US no 2 soft red winter Oct 93.00, Nov 95.75, Dec 97.25. French 11½-12 per cent Oct 135.00 sellers. English feed fob Jan/March 112.50/113.00 buyer/sellers. April/June 116.00 buyer. Maize: US no 3 yellow/French transhipment east coast Oct 132.75 seller. Barley: English feed Oct 105.50, Nov 108.00, Dec 110.50 sellers.

	WHEAT		BARLEY	
Mnth	Yest'dy's close	+ or —	Yest'dy's close	+ or —
Nov.	107.90	+0.85	102.90	+0.10
Jan.	109.60	+0.90	104.60	+0.50
Mar.	111.90	+0.85	106.60	+0.30
May	114.35	+1.00	108.50	+0.55
July	116.10	+0.65	—	—
Sept.	99.50	—	96.50	—
Nov.	101.50	—	99.50	—

HGCA — Locational ex-farm spot prices. Feed Barley: S. East 100.70, W. Mids 100.000, N. West 100.10. The UK monetary coefficient for the week beginning Monday October 5 will remain unchanged.

Business done—Wheat: Nov 107.90-7.15, Jan 109.60-8.50, March 111.90-10.80, May 114.00-3.35, July 116.10, Sept 99.50-9.00. November untraded. Sales: 480 lots of 100 tonnes.

Barley: Nov 103.00-2.95, Jan 104.60-4.30, March 106.10, May 108.40-7.95, September and November untraded. Sales: 73 lots of 100 tonnes.

After dull early trading and modest losses, wheat reversed its trend and firmed on shipper speculation on restitutions and closed on a steady note. Barley generated a little more interest on the close, purey on a wheat barey switch basis, reports T. G. Roddick.

POTATOES

The market was quiet, locked in a narrow range for most of the session before edging 10p up on the call to finish near the highs, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	83.00	82.00	83.00
Feb.	93.30	92.80	—
March	96.90	95.80	—
Apr.	131.90	130.70	132.00-131.50
May	146.00	143.80	146.00-144.50

Sales: 470 (522) lots of 40 tonnes.

US MARKETS

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	82.25	82.50	—	—
Nov	82.25	82.50	—	—
Dec	82.25	82.50	—	—
Jan	77.60	79.85	—	—
March	76.25	76.50	—	—
May	71.25	71.50	—	—
July	68.75	69.00	—	—
Sept	68.75	69.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Dec	1829	1823	1843	1815
March	1846	1844	1858	1833
May	1878	1873	1888	1860
July	1903	1901	1918	1897
Sept	1930	1929	1935	1915
Dec	1962	1958	1958	1950
March	1998	—	1990	1980

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
Dec	117.04	112.77	118.60	113.30
March	120.63	116.36	121.75	116.65
May	122.68	118.86	123.75	118.55
July	124.25	119.75	124.50	120.00
Sept	125.63	122.00	126.00	121.25
Dec	127.50	122.78	127.75	122.25
March	124.50	—	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	79.95	79.95	79.95	79.95
Nov	79.75	79.85	—	—
Dec	79.85	79.75	80.45	79.35
Jan	79.15	79.35	—	—
Mar	78.30	77.55	79.15	78.15
May	77.85	77.30	78.20	77.60
Jul	76.35	75.55	—	—
Sep	76.85	76.65	—	—
Dec	76.85	76.76	—	—

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	72.58	73.40	73.30	72.41
Dec	71.12	71.9	72.10	71.10
March	72.77	73.5	73.65	72.75
May	73.36	74.0	74.15	73.35
July	73.32	74.05	74.15	73.45
Oct	67.60	67.55	—	—
Dec	65.91	65.85	66.50	65.85

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Nov	19.58	19.59	19.66	19.55
Dec	19.46	19.48	19.54	19.43
Jan	19.38	19.38	19.45	19.35
Feb	19.33	19.32	19.38	19.29
March	19.31	19.26	19.31	19.27
April	19.21	19.20	19.21	19.21
May	19.16	19.15	—	—
June	19.10	19.12	19.10	19.06
July	19.10	19.09	—	—
Aug	19.06	19.07	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Oct	454.0	452.7	455.0	453.0
Nov	456.6	455.7	—	—
Dec	459.7	458.8	461.3	458.0
Feb	466.1	465.3	467.0	466.0
April	472.6	471.9	473.0	471.3
June	479.1	478.5	480.5	478.0
August	485.9	485.4	—	—
Sept	460.0	460.1	461.0	461.0
Oct	493.6	492.6	—	—
Dec	500.2	499.9	502.0	498.8
Feb	507.8	507.4	508.5	508.5
June	522.8	522.6	523.4	522.8
August	530.1	530.2	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Nov	54.53	54.50	54.75	54.30
Dec	56.05	56.05	56.30	55.75
Jan	55.90	55.49	56.15	55.20
Feb	55.46	56.46	55.55	55.30
March	53.36	53.56	53.55	53.10
April	51.90	51.96	51.90	51.75
May	50.65	50.66	50.65	50.45
June	50.00	50.06	50.00	50.00
July	49.80	50.26	—	—

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Prev	High	Low
Nov	134.95	138.25	138.90	134.25
Jan	132.25	131.40	132.50	131.40
Mar	132.40	132.50	132.80	131.70
May	132.45	132.00	132.80	132.20
July	132.45	132.00	132.50	132.00
Nov	132.25	130.85	132.00	132.00
Jan	132.25	130.85	132.00	132.00

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
Oct	564.8	562.6	567.0	562.5
Dec	571.5	570.1	—	—
Jan	575.1	573.6	579.0	580.0
April	583.9	582.6	588.0	573.0
July	592.9	591.6	596.0	582.0
Oct	602.2	600.8	606.0	591.0
Jan	611.7	610.4	611.5	607.5

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Oct	753.5	760.0	756.0	756.0
Nov	759.0	756.0	—	—
Dec	764.0	761.0	766.5	758.0
Jan	769.0	766.0	—	—
Mar	781.0	778.0	785.0	775.0
May	792.7	789.8	793.0	787.0
Jul	804.5	801.9	804.0	800.0
Sep	817.1	814.3	—	—

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
Jan	6.53	6.40	6.61	6.50
March	7.09	6.96	7.11	6.79
May	7.29	7.29	7.31	7.01
July	7.46	7.35	7.48	7.20
Oct	7.66	7.57	7.80	7.43
Jan	7.83	7.79	—	—
March	8.21	—	8.01	8.01

CHICAGO

LIVE CATTLE 40,000 lbs; Cents/lb

	Close	Prev	High	Low
Oct	67.80	67.55	68.50	67.05
Dec	65.90	66.60	67.57	65.60
Feb	66.37	65.90	66.60	65.20
Apr	67.72	67.35	68.25	66.35
Jun	67.52	67.32	68.20	66.35
Aug	66.95	66.32	67.20	65.65
Oct	64.75	64.50	65.10	64.40

LIVE HOGS 30,000 lbs; Cents/lbs

	Close	Prev	High	Low
Oct	49.07	47.57	49.07	48.42
Dec	46.62	45.27	46.70	45.82
Feb	44.62	43.60	45.02	44.25
April	41.87	40.90	42.15	41.50
June	44.15	43.30	44.50	43.85
July	44.40	43.52	44.80	44.25
Aug	42.90	41.80	43.10	42.50
Oct	39.90	38.55	39.97	39.80
Dec	40.20	40.15	40.20	—

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
Dec	184.2	179.6	184.4	181.2
March	192.4	188.2	192.6	189.4
May	197.2	193.2	197.4	194.2
July	199.4	195.2	199.4	196.8
Sept	195.4	191.6	195.6	193.0
Dec	196.2	191.2	196.2	192.2
March	203.4	198.4	—	—

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
Feb	58.92	56.92	58.92	58.00
March	58.50	56.50	58.50	57.45
May	59.10	57.10	59.10	58.00
July	58.92	56.92	58.92	58.00

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Nov	544.4	532.0	545.4	537.0
Jan	550.4	538.2	552.4	543.4
March	559.2	544.4	559.4	549.0
May	564.6	550.4	565.2	554.6
July	567.4	551.2	570.0	557.4
August	563.0	547.4	563.0	553.0
Sept	549.4	534.6	550.0	540.0
Nov	546.0	530.4	547.0	534.0

SOYABEAN MEAL 100 tons; $/ton

	Close	Prev	High	Low
Oct	180.6	174.7	181.0	176.5
Dec	174.7	169.4	176.5	171.3
Jan	171.6	166.2	172.6	168.5
March	169.7	164.5	170.5	166.5
May	168.2	163.7	169.0	165.0
July	166.0	162.2	167.5	164.5
August	165.0	162.0	167.5	164.0
Sept	164.5	161.3	165.0	163.0
Oct	162.5	159.5	162.0	163.0
Dec	162.5	160.0	162.0	163.0

SOYABEAN OIL 60,000 lb: cents/lbs

	Close	Prev	High	Low
Oct	16.79	16.57	16.90	16.68
Dec	17.18	17.01	17.29	17.08
Jan	17.37	17.19	17.48	17.25
Mar	17.71	17.53	17.82	17.63
May	17.96	17.75	18.10	17.90
July	18.15	18.00	18.25	18.10
Aug	18.20	18.00	18.20	18.05
Sep	18.25	18.05	18.30	18.20
Oct	18.17	18.12	18.15	18.20
Dec	18.56	18.35	18.50	18.60

WHEAT 5,000 bu min: cents/60lb-bushel

	Close	Prev	High	Low
Dec	298.4	289.2	299.0	292.2
Mar	306.6	297.2	307.0	300.0
May	300.4	290.6	301.0	293.0
Jul	282.4	276.2	282.4	277.4
Sep	284.4	278.6	—	—

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 751.0 (759.0) cents per troy ounce. New York tin 315-31[illegible] (316-317) cents per pound.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)	Oct.	
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.15*	—0.02
Brent Blend	18.59-18.64	—0.075
W.T.I. (1pm edt)	19.50-19.55*	
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe		
Prompt delivery cif ($ per tonne)		
Premium gasoline	182-184	+3
Gas Oil	160-162	—0.5
Heavy fuel Oil	97-98	—
Naphtha	164-166	—

* November

Petroleum Argus estimates

SUGAR

LONDON DAILY PRICE—Raw sugar $158.00 (£98.00), down $4.00 (down £2.20) a tonne for October-November delivery. White sugar $183.00, down $3.00.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Dec	147.8-147.8	146.8-146.8	147.6-146.8
Mar	158.8-158.2	156.8-156.0	159.6-153.8
May	162.2-162.8	160.2-168.4	162.6-158.0
Aug	165.4-166.6	164.8-164.4	—
Oct	170.4-171.8	171.8-171.4	168.5-168.0
Dec	174.8-176.0	172.8-175.8	—
No. 5 Whites			
Dec	184.8-185.0	181.5-182.5	184.0-182.8
Mar	191.0-191.8	189.8-189.4	191.5-188.0
May	196.4-196.2	192.8-195.0	195.5-185.8
Aug	199.8-202.5	196.6	196.8
Oct	202.8-202.7	206.8	203.0-199.0
Dec	205.8-207.8	204.0-206.5	205.0
Mar	208.8-212.0	208.0-211.0	—

Sales: No 6 3,196 (2,784) lots of 50 tonnes; No 5 2,003 (823).

Tate & Lyle delivery price for granulated basis sugar was £202.50 (£205.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 30: Daily price 5.97 (6.19); 15-day average 5.94 (5.93).

PARIS—Whites (FFr per tonne): Dec 1,120/1,123, March 1,160/1,170, May 1,185/1,197, Aug 1,215/1,227, Oct 1,240/1,252, Dec 1,267/1,280.

SOYABEAN MEAL

Reduced carry-over stocks in the US firmed prices throughout the session with good commerical buying against scale-up option hedge selling, reports Muirpace.

	Yesterd'ys close	+ or —	Business done
	£ per tonne		
October	132-138.2	+4.90	138.0
Dec.	13[illegible]-135.8	+3.90	136.0-132.5
Feb.	13[illegible]-136.5	+3.15	—
April	13[illegible]-137.9	+3.15	136.0-135.8
June	12[illegible]-138.8	+3.05	—
August	12[illegible]-129.8	+2.80	—
October	127-130.8	+2.75	—

Sales: 158 (38) lots of 20 tones.

GAS OIL FUTURES

Month	Yesterd'ys close	+ or —	Business done
	US$ per tonne		
Oct	161.50	+0.25	161.50-159.8
Nov	163.25	—0.25	163.50-162.8
Dec	166.25	—	166.25-164.8
Jan	166.25	—	166.50-165.2
Feb	165.50	—0.50	165.50

Turnover: 3,462 (5,616) lots of 100 tonnes.

FREIGHT FUTURES

Physical inquiry encouraged the market to firm and sellers were found backing away. The BFI was raised 7 points to 1,052, but was still well below the futures price. The afternoon ended firm at the highs, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1121/1122	1125/1105	1099/1102
Jan.	1199/1200	1200/1175	1161/1164
Apr.	1225/1235	1233/1200	1199/1200
July	1080/1100	—	1060/1080
Oct.	1172	—	1172.5
Jan.	1160	—	1170
April	1300	—	1255/1390
BFI.	1052	—	1045

Turnover: 346 (115).

RUBBER

PHYSICALS—Closing prices (buyers): Spot 67.00p (67.25p); Nov 68.50p (68.25p); Dec 68.7p (68.50p). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) was: RSS No 1 286.0 (same); SMR 20 250.0 (250.5).

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly firmer

THE DOLLAR continued to show a slightly firmer tendency yesterday. Recent demand for the US unit reflected some degree of technical requirements at the month end and also a need to buy dollars in order to participate in the Treasury refunding programme.

The bearish undertone, based predominantly on the trade and budget deficits, was set aside at least in the short-term, as speculators attempted to establish the degree of upside potential, following recent meetings between G7 and IMF officials.

These gave rise to the possibility of some arrangement to control currency fluctuations as part of a managed system much in line with the current system used in the EMS. However analysts appeared to be less than enthusiastic, given the reluctance by UK authorities to enter sterling into the exchange rate mechanism of the EMS.

However the dollar's short-term prospects remained good. There were fears that US interest rates would have to rise in order to counter a rise in long-term rates in Japan and this helped to underpin the US unit.

News of a 1.7 per cent fall in US factory goods orders was countered to some extent by a 1.6 per cent rise in construction spending.

The dollar closed at DM 1.8475 against the Deutsche Mark up from DM 1.8435 on Wednesday and Y146.90 against Y146.45. Elsewhere it finished at SFr 1.5396 from SFr 1.5340 and FFr 6.1475 from FFr 6.1350. On Bank of England figures, the dollar's exchange rate index rose to 102.4 from 102.1.

Sterling showed little change until the late afternoon when it lost ground. Earlier in the day it had been confined to a narrow range because the dollar's steady to firmer trend was countered by continued resistance by the Bank of England to any move above the DM 3.00 level. Consequently trading remained within a narrow range until late in the afternoon when a large selling order out of the US pushed the pound weaker to finish at DM 2.9875 down from DM 2.9975 and $1.6170 compared with $1.6255. It was also lower against the yen at Y237.50 from Y238 and was quoted elsewhere at SFr 2.49 from SFr 2.4950 and FFr 9.94 against FFr 9.9725. Its exchange rate index closed at 72.8, down from 73.0 at the opening and 73.1 on Wednesday.

D-MARK-Trading range against the dollar in 1987 is 1.9385 to 1.7690. August average 1.8572. Exchange rate index 146.0 against 147.0 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8442 from DM 1.8383 on Wednesday.

Trading was rather quiet and the dollar stayed within a relatively narrow range.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 218.2 against 217.5 six months ago.

Profit taking left the dollar below its best level against the yen in Tokyo yesterday but it still showed an improvement on overnight levels.

The US unit closed at Y146.75 down from a high of Y147.60 but up from the New York close of Y146.50 and Y146.35 in Tokyo on Wednesday. Most traders expected the dollar to stay within a fairly narrow range until the release of trade figures later this month.

£ IN NEW YORK

Oct. 1	Latest	Previous Close
£ Spot	1.6240-1.6250	1.6245-1.6255
1 month	0.34-0.32pm	0.33-0.31pm
3 months	0.80-0.76pm	0.84-0.81pm
12 months	2.30-2.20pm	2.45-2.35pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 1	Previous
8.30 am	73.0	73.1
9.00 am	73.0	73.1
10.00 am	73.0	73.1
11.00 am	73.0	73.1
Noon	73.0	73.1
1.00 pm	73.0	73.1
2.00 pm	73.0	73.1
3.00 pm	73.0	73.1
4.00 pm	72.8	73.1

CURRENCY RATES

Oct. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78677	0.694374
U.S. Dollar	5.5	1.2764	1.12697
Canadian $	8.75	*	1.48557
Austrian Sch.	4	16.5659	14.6190
Belgian Franc	7¼	N/A	43.1206
Danish Krone	7	*	7.98513
Deutsche Mark	3	2.3539	2.07757
Neth. Guilder	4½	N/A	2.33756
French Franc	9½	7.8337	6.91733
Italian Lira	12	N/A	1498.98
Japanese Yen	2½	187.63	166.292
Norway Krone	8	N/A	7.58944
Spanish Peseta	—	*	137.828
Swedish Krona	7½	*	7.27402
Swiss Franc	3.5	*	1.73159
Greek Drach.	20½	*	158.993
Irish Punt	—	*	0.774815

*C$/SDR rate for Sept. 30: 1.67518

CURRENCY MOVEMENTS

Oct. 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.8	N/A
U.S. Dollar	102.4	*
Canadian Dollar	79.5	*
Austrian Schilling	136.6	*
Belgian Franc	99.4	*
Danish Krone	90.5	*
Deutsche Mark	146.0	*

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 1	£	$
Korea(Sth)	1305.15-1316.45	802.50-809.30
Kuwait	0.45900-0.45950	0.28290-0.28300
Luxembourg	61.95-62.05	38.30-38.40
Malaysia	4.1090-4.1190	2.5355-2.5375
Mexico	2551.45-2555.50	1574.00-1576.00
N. Zealand	2.5240-2.5290	1.5545-1.5560
Saudi Ar.	6.0840-6.0900	3.7500-3.7510
Singapore	3.3930-3.4000	2.0920-2.0930
S. Af. (Cm)	3.3730-3.3890	2.0805-2.0850
S. Af. (Fn)	5.3645-5.5480	3.3060-3.4190
Taiwan	48.60-48.85	30.05-30.15
U.A.E.	5.9585-5.9640	3.6725-3.6735

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1206	+1.56	+0.84	±1.5344
Danish Krone	7.85212	7.98513	+1.69	+0.97	±1.6404
German D-Mark	2.05853	2.07757	+0.92	+0.20	±1.0981
French Franc	6.90403	6.91733	+0.19	−0.53	±1.3674
Dutch Guilder	2.31943	2.33756	+0.78	+0.06	±1.5012
Irish Punt	0.768411	0.774815	+0.83	+0.11	±1.6684
Italian Lira	1,483.58	1,498.98	+1.04	+0.66	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6125-1.6260	1.6165-1.6175	0.35-0.32 c pm	2.49	0.80-0.77 pm	1.95
Canada	2.1066-2.1260	2.1080-2.1090	0.19-0.09 c pm	0.80	0.29-0.18 pm	0.45
Netherlands	3.35¼-3.37	3.35½-3.36½	1½-1¼ c pm	4.91	4-3¾ pm	4.61
Belgium	61.76-62.20	61.95-62.05	23-19 c pm	4.06	62-57 pm	3.84
Denmark	11.44¼-11.51½	11.47½-11.48½	⅝pm-⅛ ore dis	−0.26	¾-Par	0.13
Ireland	1.1130-1.1168	1.1130-1.1140	0.16-0.10p pm	1.40	0.50-0.25 pm	1.35
W. Germany	2.98-2.99½	2.98¾-2.99¾	1⅝-1½ pf pm	6.03	4⅞-4⅝ pm	5.69
Portugal	233.80-236.06	233.80-234.70	6-65 c dis	−1.82	129-325 dis	−3.88
Spain	197.93-198.80	197.95-198.25	24-42 c dis	−2.00	150-186 dis	−3.39
Italy	2147½-2162½	2154½-2156½	1-4 lire dis	−1.39	8-13 dis	−1.95
Norway	10.86½-10.95½	10.89½-10.90½	3¾-3⅞ ore dis	−3.85	8¾-9½ dis	−3.35
France	9.91¾-9.97¼	9.93½-9.94½	2⅛-1¾ c pm	2.34	5¼-4⅞ pm	1.94
Sweden	10.41¾-10.48¾	10.45-10.46	1⅛-⅝ ore pm	1.00	2⅛-1½ pm	0.69
Japan	237-238½	237-238	1¼-1⅛ y pm	6.00	3⅝-3⅜ pm	5.47
Austria	20.94-21.06	20.95-20.97	11-9¼ gro pm	5.94	30⅞-28½ pm	5.67
Switzerland	2.48½-2.49½	2.48½-2.49½	1½-1¼ c pm	6.63	3¾-3½ pm	5.82

Belgian rate is for convertible francs. Financial franc 62.20-62.30. Six-month forward dollar 1.48-1.43 c pm. 12-month 2.20-2.10 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6125-1.6260	1.6165-1.6175	0.35-0.32c pm	2.49	0.82-0.77pm	2.95
Ireland†	1.4505-1.4565	1.4520-1.4530	0.12-0.07c pm	0.78	0.32-0.20pm	0.71
Canada	1.3055-1.3100	1.3060-1.3070	0.17-0.20c dis	−1.70	0.48-0.51 dis	−1.51
Netherlands	2.0700-2.0790	2.0780-2.0790	0.47-0.44c pm	2.63	1.38-1.33pm	2.61
Belgium	38.19-38.35	38.30-38.40	5½-4½c pm	1.57	18½-17pm	1.86
Denmark	7.07¼-7.10¼	7.09¾-7.10¼	0.90-1.20ore dis	−1.44	1.90-2.60 dis	−1.27
W. Germany	1.8400-1.8485	1.8470-1.8480	0.59-0.56pf pm	3.74	1.71-1.66pm	3.66
Portugal	145-145¾	145½-145¾	25-55c dis	−3.31	140-190 dis	−4.55
Spain	122.05-122.75	122.65-122.75	15-35cdis	−2.45	120-160 dis	−4.55
Italy	1327-1333¼	1332¾-1333¾	3.50-4.50lire dis	−3.61	12.00-14.50dis	−3.99
Norway	6.72-6.74½	6.73¾-6.74¼	3.25-3.60ore dis	−6.11	8.90-9.30dis	−5.41
France	6.12¾-6.15¾	6.14½-6.15	0.03-0.13cdis	−0.16	Par-0.30dis	−0.10
Sweden	6.44½-6.46¾	6.46¼-6.46¾	0.60-0.90ore dis	−1.39	2.05-2.45 dis	−1.39
Japan	146.20-147.10	146.85-146.95	0.45-0.42y pm	3.56	1.27-1.22 pm	3.39
Austria	12.95¾-13.00½	13.00-13.00½	3.90-3.50gro pm	3.42	12.25-11.25pm	3.62
Switzerland	1.5320-1.5405	1.5390-1.5400	0.55-0.51c pm	4.14	1.50-1.45pm	3.84

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.45-38.55

EURO-CURRENCY INTEREST RATES

Oct. 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅜-10¼	10⅞-10⅞	10⅝-10½
U.S. Dollar	7⅞-7¾	7⅞-7⅞	7⅞-7⅞	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞
Can. Dollar	9-8¾	9-8¾	9⅛-8⅞	9⅞-9⅞	10⅛-9⅞	10⅝-10⅜
D. Guilder	5-4⅞	5-4⅞	5⅛-5⅛	5⅝-5½	5⅞-5⅞	5⅞-5⅞
Sw. Franc	1½-⅞	2¼-1⅞	3⅞-3⅞	4⅛-4¼	4⅜-4¼	4⅜-4¼
Deutschmark	[illegible]	[illegible]	4-3⅞	4⅛-4⅛	4⅜-4¼	4⅜-4⅜
Fr. Franc	[illegible]	[illegible]	7⅞-7⅞	8⅛-8⅛	8⅝-8½	9⅛-9
Italian Lira	[illegible]	[illegible]	11⅝-10⅞	12⅛-12	12⅛-12⅛	12⅞-12⅛
B. Fr. (Fin.)	[illegible]	[illegible]	6½-6⅜	6⅝-6½	7⅛-6⅞	7⅛-7⅛
B. Fr. (Con.)	[illegible]	[illegible]	6⅝-6⅛	6⅞-6½	7⅛-6⅞	7⅜-7
Yen	[illegible]	[illegible]	4⅝-4⅞	4⅞-4⅞	5⅛-4⅞	5⅛-5⅛
D. Krone	[illegible]	[illegible]	9⅞-9⅞	10-9⅝	10⅛-10⅜	10⅝-10⅛
Asian $Sing.	[illegible]	[illegible]	7⅞-7⅞	8⅛-8⅛	8⅛-8⅛	8⅞-8⅛

Long-term Eurodollars: Two years 9⅛-9¾ per cent; three years 9⅛-9½ per cent; four years 10-9¾ per cent; five years 10⅛-9⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.617	2.988	237.5	9.940	2.490	3.360	2155.	2.109	62.00
$	0.618	1.	1.848	146.9	6.148	1.540	2.079	1333.	1.304	38.35
DM	0.335	0.541	1.	79.50	3.327	0.833	1.125	721.3	0.706	20.75
YEN	4.211	6.808	12.58	1000.	41.85	10.48	14.15	9074.	8.878	261.1
F Fr.	1.006	1.627	3.006	238.9	10.	2.505	3.380	2168.	2.121	62.37
S Fr.	0.402	0.649	1.200	95.38	3.992	1.	1.349	865.5	0.847	24.90
H Fl.	0.298	0.481	0.889	70.68	2.958	0.741	1.	641.4	0.628	18.45
Lira	0.464	0.750	1.386	110.2	4.613	1.155	1.559	1000.	0.978	28.77
C $	0.474	0.767	1.417	112.6	4.714	1.181	1.594	1022.	1.	29.40
B Fr.	1.613	2.608	4.819	383.1	16.03	4.016	5.419	3476.	3.401	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts close near day's low

LONG TERM gilt futures closed near the lowest level of the day on the London International Financial Futures Exchange.

December gilts fell to a low of 114-05, and closed at 114-07, after opening at 114-18. A steady performance by sterling in early foreign exchange trading pushed the contract up to a peak of 115-05. The contract was also supported by talk of increased Japanese and Middle Eastern demand for gilts, and suggestions that a large international portfolio had been switched into gilts from US Treasury bonds.

US Treasury bond futures opened firmer on Liffe at 82-00 for December delivery, but this was almost at the day's peak of 82-01. Prices fell in the afternoon as Chicago opened weaker, and Wednesday's short covering rebound met profit taking.

The contract fell to a low of 81-17, and closed at 81-25, compared with 81-12 on Wednesday.

There was no reaction to news that US factory orders fell 1.7 per cent in August, the first drop since January.

Sentiment was dampened by a lack of investor interest in US Treasury securities overnight in Tokyo.

It was said that fears of a lower dollar, and higher US interest rates, are causing Japanese investors to lose patience with US Government securities. This led to suggestions that Tokyo will not be interested in next week's US Treasury note auctions. It was noted that Japanese investors were not keen to buy at Tuesday's two-year note sale.

Japanese Government bond futures opened at 96.30 for December delivery on Liffe, after finishing at 96.60 in Tokyo. The contract fell to a low of 96.00, before closing at the day's high of 96.40.

In Tokyo yen bond futures closed slightly easier at 96.60, against 96.80 previously, after a volatile day in thin trading, as speculation increased about a rise in the Bank of Japan's discount rate.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
104	10.15	10.37	0.01	0.17
106	8.17	8.51	0.03	0.31
108	6.24	7.09	0.10	0.53
110	4.42	5.41	0.28	1.21
112	3.08	4.21	0.58	2.01
114	1.55	3.14	1.41	2.58
116	1.00	2.20	2.50	4.00
118	0.31	1.39	4.17	5.19

Estimated volume total, Calls 1,623 Puts 1,353
Previous day's open int: Calls 27,245 Puts 18,926

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	6.02	5.42	0.16	0.48
78	4.24	4.13	0.38	1.19
80	2.56	3.00	1.06	2.06
82	1.40	2.03	1.54	3.09
84	0.53	1.21	3.03	4.27
86	0.24	0.53	4.38	5.59
88	0.10	0.31	6.24	7.37
90	0.06	0.17	8.20	9.23

Estimated volume total, Calls 80 Puts 110
Previous day's open int: Calls 1,446 Puts 798

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
22750	16.57	17.74	0.37	1.54
23000	14.32	15.74	0.62	2.04
23250	12.17	13.85	0.97	2.65
23500	10.17	12.08	1.47	3.38
23750	8.33	10.45	2.13	4.25
24000	6.69	8.95	2.99	5.25
24250	5.25	7.60	4.05	6.40
24500	4.03	6.39	5.33	7.69

Estimated volume total, Calls 11 Puts 0
Previous day's open int: Calls 66 Puts 58

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Dec.	89.55	89.66	89.55	89.63
March	89.63	89.74	89.63	89.71
June	89.66	89.76	89.68	89.73
Sept.	89.60	—	—	89.61
Dec.	89.49	—	—	89.50

Estimated Volume 4,890 (6,851)
Previous day's open int. 16,951 (16,115)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sept.	—	—	—	236.35
Dec.	243.70	244.80	243.30	242.30
Mar.	248.20	—	—	246.80

Estimated volume 1,436 (1,348)
Previous day's open int. 5,091 (7,567)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Dec.	91.44	91.46	91.40	91.39
March	91.09	91.10	91.04	91.01
June	90.82	90.83	90.73	90.74
Sept.	90.61	90.60	90.59	90.53
Dec.	90.44	—	—	90.36
Mar.	90.30	—	—	90.22
June	90.17	—	—	90.09

Estimated volume 5,112 (7,815)
Previous day's open int. 29,413 (29,130)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	81-25	82-01	81-17	81-12
Mar.	80-29	—	—	80-16
June	—	—	—	—

Estimated Volume 6,037 (7,653)
Previous day's open int. 6,495 (6,479)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6170	1.6137	1.6092	1.6025	1.5955

IMM—STERLING $e per £

	Latest	High	Low	Prev
Dec.	1.6110	1.6170	1.6105	1.6175
Mar.	1.6040	1.6100	1.6040	1.6105
June	1.6005	—	1.6005	1.6035

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.6097	1.6170	1.6135	1.6208
Mar.	1.6085	—	—	1.6142

Estimated volume 13 (2)
Previous day's open int 369 (367)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar.	—	92.37	92.35	92.33
Jun.	92.08	92.09	92.08	92.07
Sept.	—	—	—	91.88
Dec.	—	—	—	91.73
Mar.	—	—	—	91.60

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar.	91.06	91.08	91.03	91.02
June	90.78	90.80	90.77	90.74
Sept.	90.56	90.59	90.56	90.53
Dec.	90.39	90.41	90.38	90.37
Mar.	90.25	90.26	90.24	90.22
June	90.12	90.16	90.12	90.09
Sept.	90.03	90.03	90.03	89.97

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6557	0.6573	0.6554	0.6558
Mar.	0.6619	0.6632	0.6614	0.6620
Jun.	0.6684	0.6702	0.6684	0.6685

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec.	328.00	328.15	326.05	325.95
Mar.	331.50	331.50	329.50	329.30
June	334.80	334.80	332.90	332.45

MONEY MARKETS

Little change in London rates

INTEREST RATES remained steady on the London money market yesterday, with three-month interbank unchanged at 10⅛-10⅞ per cent.

Trading was quiet, and call money fell to around 9 per cent from 10½ per cent, after it was announced that credit conditions were comfortable.

The Bank of England initially forecast a flat position on the London money market, which came as a surprise to most dealers.

Money Market Services had forecast a shortage of £250m to £350m.

The Bank of England did not operate in the market during the morning. In the afternoon the authorities revised their estimate of the credit position to a surplus of £100m.

UK clearing bank base lending rate 10 per cent since August 7

In the afternoon the central bank sold £100m Treasury bills maturing today, at 9⅝-9½ per cent.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £864m, with a rise in the note circulation absorbing £45m, and bank balances below target £70m. These outweighed Exchequer transactions adding £790m to liquidity.

In Paris the Bank of France sold FFr 4.5bn in Treasury tap stock at its monthly tender, when it offered for sale two fixed rate Government bond issues and one variable rate stock.

Banks were allocated FFr 1.05bn in the longest 8.5 per cent 2012 issue, at a minimum accepted price of 77.0, and an average accepted level of 77.07, to give a yield of 11.27 per cent.

In Frankfurt call money fell to 3.80 per cent, from around 4.25 to 4.50 per cent on Wednesday, as the money market recovered from end of month liquidity shortages. The rate is expected to continue to ease, down to around 3.65 to 3.75 per cent, although the general level is likely to depend on the terms of next week's securities repurchase agreement.

Banks held DM 42bn in minimum reserve requirements at the West German Bundesbank on Tuesday, down from DM 49.9bn on Monday, but this was mainly because of pension payments, and these funds were expected to flow back in the banking system yesterday.

During the first 29 days of the September banks minimum reserve levels averaged DM 52.4bn, compared with the Bundesbank's minimum requirement for the month of an average DM 52.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 1) 3 months U.S. dollars		6 months U.S. dollars	
bid 8⅜	offer 8½	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¾
Broker loan rate	8⅝
Fed. funds	7⅞
Fed funds at intervention	8

Treasury Bills and Bonds

One month	6.15	Three year	8.87
Two month	6.39	Four year	9.08
Three month	6.79	Five year	9.23
Six month	7.15	Seven year	9.49
One year	7.87	10 year	9.64
Two year	8.60	30 year	9.80

October 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	3.90-4.05	3.90-4.05	4.40-4.55	4.45-4.60	5.0
Paris	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-8⅛	8⅛-8⅛	7¾
Zurich	⅞-1⅛	3⅛-3⅝	—	4-4⅛	—	—
Amsterdam	2½-3½	5⅛-5¼	—	5⅝-5½	—	—
Tokyo	3.46875	3.78125	—	3.90625	—	—
Milan	11½-11⅞	12-12⅞	—	12⅞-13	—	—
Brussels	3.25	6⅛-6½	—	6⅛-6⅛	—	—
Dublin	9-9⅛	8⅞-9	8⅞-9	8⅞-9⅛	9½-9⅝	—

LONDON MONEY RATES

Oct.1	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-9	10¼-9⅞	10⅛-10	10⅛-10⅛	10½-10⅛	10⅝-10½
Sterling CDs.	—	—	9⅞-9⅞	10⅛-10	10⅛-10⅛	10⅞-10⅞
Local Auth'rity Deps.	10⅛	10⅛	10	10⅛	10⅛	10⅞
Local Authority Bonds	—	—	10	10⅛	10⅞	10⅝
Discount Mkt Deps.	9½-9	9⅞	9⅞	9⅞	—	—
Company Deposits	—	—	10⅛-10⅛	10⅛	10⅜	10⅝
Finance House Deposits	—	—	10⅛	10⅛	10½	10⅞
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10½	10½	10½	—
Dollar CDs	—	—	7.65-7.60	8.15-8.10	8.35-8.30	8.85-8.80
SDR Linked Deposits	—	—	6⅞-6⅞	7⅛-6⅞	7⅛-7	7½-7⅛
ECU Linked Deposits	—	—	7-6⅞	7⅛-7⅛	7⅝-7½	7⅞-7⅞

Treasury Bills (sell); one-month 9⅛ per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.7727 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent; Under £100,000 8 per cent from September 15, Deposits withdrawn for cash 5 per cent.

IG INDEX'S PRICES APPEAR TODAY ON Page 42

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 30, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.

24-hours a day trading capability.

Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.13073 SDR1=$US1.28004

As of September 30, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	8⅜	8½
Sibor:	8⅞	8⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6303	Papua New Guinea	Kina	0.8949
Albania	Lek	6.1952	Greece	Drachma	140.47	Paraguay	Guarani (o)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	7.062		Guarani (p)	550.00
Andorra	French Franc	6.1165	Grenada	E. Caribbean $	2.70		Guarani (d)	847.50
	Spanish Peseta	121.88	Guadaloupe	Franc	6.1165	Peru	Inti (o) (n)	13.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	37.50
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.60
Argentina	Austral	2.6303		Quetzal (b, f)	2.74	Pitcairn Islands	N.Z. Dollar	1.5299
Aruba	Florin	1.79	Guinea Bissau	Peso	650.00	Poland	Zloty (o)	295.80
Australia	Dollar	1.3856	Guinea Republic	Franc	340.00	Portugal	Escudo	144.73
Austria	Schilling	12.9305		Franc (f)	300.00	Puerto Rico	U.S. $	1.00
Azores	Port. Escudo	144.73	Guyana	Dollar	10.00			

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 1 1987					WEDNESDAY SEPTEMBER 30 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	167.03	−1.5	153.14	156.36	2.53	169.61	154.70	158.22	180.81	99.92	83.59
Austria (16)	99.84	−0.4	91.54	95.86	2.17	100.20	91.39	95.78	102.87	85.53	93.85
Belgium (48)	125.03	−0.7	114.64	118.71	4.00	125.89	114.82	119.22	134.89	96.19	89.40
Canada (130)	136.61	+0.2	125.25	129.24	2.27	136.30	124.31	129.14	141.78	100.00	97.68
Denmark (38)	115.66	+0.1	106.05	111.69	2.64	115.54	105.38	111.18	124.83	98.18	96.37
France (122)	107.57	+0.0	98.63	103.74	2.67	107.60	98.14	103.55	121.82	98.39	95.30
West Germany (93)	100.46	+0.8	92.11	96.49	1.97	99.66	90.90	95.52	104.93	84.00	94.86
Hong Kong (46)	158.66	+0.6	145.47	159.06	2.98	157.67	143.81	158.06	158.66	96.89	84.00
Ireland (14)	153.34	+2.2	140.60	148.76	3.03	149.97	136.78	145.03	153.34	99.50	81.26
Italy (97)	90.15	−1.3	82.66	89.75	2.14	91.34	83.30	90.59	112.11	84.22	97.83
Japan (458)	143.13	−1.8	131.23	132.91	0.52	145.72	132.91	134.90	161.28	100.00	94.88
Malaysia (36)	174.95	+0.2	160.41	170.91	2.15	174.52	159.18	170.37	193.64	98.24	87.36
Mexico (14)	382.57	+3.0	350.77	658.80	0.45	371.28	338.63	640.16	422.59	99.72	73.39
Netherland (37)	123.74	−0.1	113.45	117.38	3.84	123.86	112.97	117.19	131.41	99.65	97.40
New Zealand (24)	133.21	−1.4	122.13	110.01	2.74	135.10	123.22	110.21	138.99	83.93	75.68
Norway (24)	176.06	+0.7	161.43	161.07	1.70	174.86	159.49	159.55	185.01	100.00	105.13
Singapore (27)	163.99	+0.0	150.35	158.13	1.53	163.91	149.50	158.02	174.28	99.29	89.14
South Africa (61)	180.70	−1.4	165.68	132.81	3.18	183.32	167.20	133.59	198.09	100.00	102.02
Spain (43)	159.02	−0.1	145.80	147.82	2.70	159.21	145.21	147.51	165.92	100.00	99.26
Sweden (34)	131.62	+1.4	120.68	125.97	1.82	129.86	118.44	123.95	132.10	90.85	97.08
Switzerland (53)	108.38	+0.7	99.37	103.44	1.61	107.66	98.19	102.38	110.00	92.01	93.69
United Kingdom (336)	157.73	−0.1	144.62	144.62	3.13	157.82	143.94	143.94	162.87	99.65	90.86
USA (586)	133.70	+1.7	122.59	133.70	2.75	131.41	119.86	131.41	137.42	100.00	97.31
Europe (955)	127.48	+0.0	116.88	119.98	2.78	127.43	116.23	119.46	128.88	99.78	93.79
Pacific Basin (682)	144.43	−1.7	132.43	134.36	0.70	146.91	133.99	136.25	158.77	100.00	94.04
Euro–Pacific (1637)	137.71	−1.1	126.27	128.62	1.47	139.18	126.94	129.55	143.65	100.00	93.95
North America (716)	133.85	+1.7	122.72	133.47	2.72	131.67	120.09	131.31	137.55	100.00	97.33
Europe Ex. UK (619)	108.68	+0.1	99.65	104.56	2.45	108.55	99.01	104.14	111.97	98.02	95.61
Pacific Ex. Japan (224)	160.55	−0.7	147.21	152.51	2.63	161.66	147.45	153.14	164.03	99.92	83.40
World Ex. US (1842)	138.30	−1.0	126.80	129.00	1.52	139.70	127.42	129.88	143.38	100.00	94.13
World Ex. UK (2092)	134.39	+0.0	123.21	129.55	1.85	134.36	122.54	129.31	138.82	100.00	95.80
World Ex. So. Af. (2367)	136.18	+0.0	124.86	130.90	1.97	136.14	124.17	130.61	139.47	100.00	95.32
World Ex. Japan (1970)	133.30	+1.0	122.22	129.97	2.74	132.03	120.42	128.54	134.03	100.00	95.58
The World Index (2428)	136.46	+0.0	125.12	130.95	1.98	136.44	124.45	130.67	139.73	100.00	95.36

Base values: Dec 31, 1986 = 100

Amendments to indices for September 30 applied to the following: Sweden - Pound Sterling only; UK - US dollar only and World Ex. UK - Pound Sterling only.

European Options were not available for this edition.

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe Guarantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
Cl. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

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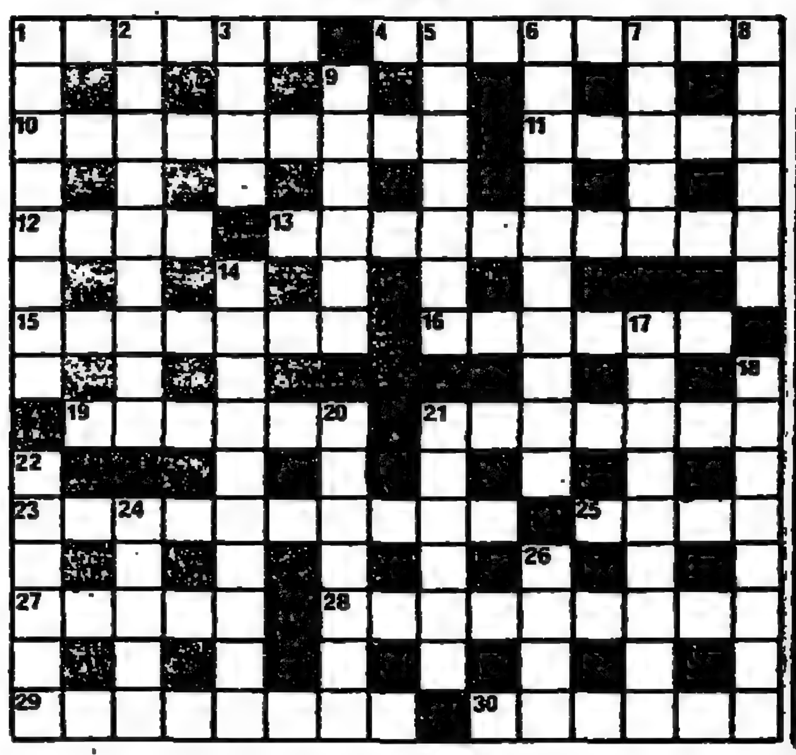
CINEPHILE



Across clues may seem difficult but see 23

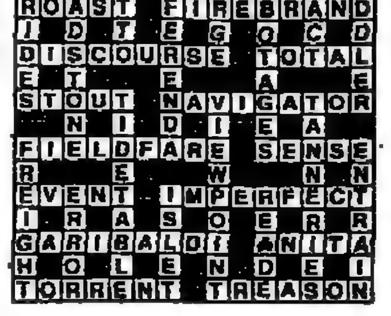
ACROSS

1 Rate foolish woman? (6)
4 Friendly message: is compiler first? (8)
10 Hole drilled in painting—I'm not sure what to say—like wood? (9)
11 Burning with rage following a figurehead (5)
12 Lieutenant liable to decamp? (4)
13 Source in a wood, it seems (10)
15 She takes part of a cold lock (7)
16 Ends deposits in islands (6)
19 Refer to notice (6)
21 Swallowed false statement right at studio (7)
23 All, repeat all, the across solutions start alike (10)
25 A1 for one's age? (4)
27 Seer takes month at old city (5)
28 A shortened note that's about gratitude in spirit (4,5)
29 Iron baas go off to graze (8)
30 Travelling one direction with list (6)

DOWN

1 Product of seaweed, almost a car's place on a river (4-4)
2 Agreeable about plot worked on paper (9)
3 Sound of slave that can be ridden (4)
5 Crowd without number, like one in Kenya (7)
6 Man, possibly red one, has to be supervised (10)
7 Made objection about 49 (5)
8 Boy or girl with diary (6)
9 Checkpoints for birth controller (6)
14 Bonds exist in teeth (10)
17 Quaking heart? It's sexless without trill (9)
18 A number had a good race with flying students (8)
20 Rent trouble causing storm (7)
21 Insect with funny cavity in bone (6)
22 Hat for canal (6)
24 Upset king's drink (5)
26 Affirm a solemn promise (4)

Solution to Puzzle No. 6,444



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.9	118.4	+0.4	0.94
(Accum Units)	117.3	124.1	+0.5	0.94
American Income	57.0	53.9xd	+0.5	4.66
(Accum Units)	56.8	60.1xd	+0.5	4.66
American Sm Cos Fd	51.7	54.7	+0.2	0.45
(Accum Units)	51.7	54.7	+0.2	0.45
British Blue Chip Fund	53.9	57.0xd	+0.2	2.22
(Accum Units)	54.9	58.0xd	+0.3	2.22
European Growth	165.5	175.1	-0.8	0.40
(Accum Units)	173.1	183.1	-0.8	0.40
European Income	87.0	92.0	-0.2	3.28
(Accum Units)	91.4	96.7	-0.2	3.28
Extra Inc	373.1	394.7	+6.4	2.29
(Accum Units)	590.4	606.5	+10.2	2.29
General	399.2	422.4xd	+3.0	1.26
(Accum Units)	667.3	706.1xd	+5.1	1.26
Gilt	88.6	89.0	+0.9	7.88
(Accum Units)	105.4	105.9	+1.1	7.88
Global Fund	54.9	58.0	.....	0.64
(Accum Units)	54.9	58.0	.....	0.64
High Income Fund	56.1	59.3xd	+0.3	4.41
(Accum Units)	57.0	60.3xd	+0.3	4.41
High Interest Fund	44.5	47.0xd	+0.2	9.56
(Accum Units)	45.8	48.4xd	+0.1	9.56
Income	132.5	140.6xd	+0.8	2.87
(Accum Units)	152.8	161.6xd	+0.9	2.87
International	312.4	330.5	-1.6	1.79
(Accum Units)	390.8	413.5	-2.3	1.79
Japan	213.0	225.3	-4.7	0.91
(Accum Units)	218.5	231.2	-4.9	0.91
Pacific Fund	62.8	66.4	-0.8	0.10
(Accum Units)	62.8	66.4	-0.8	0.10
Recovery	341.8	361.6	+5.4	1.97
(Accum Units)	372.6	393.5	+6.2	1.97
UK Smaller Cos Fund	58.2	61.6xd	+0.1	1.61
(Accum Units)	58.7	62.1xd	+0.2	1.61

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Init.	225.1			—
Do. Accum.	277.6			—
Guaranteed Init.	159.1			—
Do. Accum.	196.3			—
International Init.	522.5			—
Do. Accum.	643.8			—
Index Lk. Gilt Init.	133.5			—
Do. Accum.	164.6			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property		320.4	+0.9	—
Property Pens.		433.8	+1.1	—
Equity		206.2	+0.5	—
Equity Pens.		446.3	+3.1	—
Money Market		296.7	+1.1	—
Money Mkt. Pens.		534.5	+2.0	—
Deposit		279.9	+0.0	—
Deposit Pens.		384.6	+0.1	—
Managed		307.1	+0.4	—
Managed Pens.		600.0	+0.9	—
Intl. Equity		367.5	+0.2	—
Do. Pens.		603.8	+0.4	—
Intl. Managed		334.4	-0.2	—
Do. Pens.		503.8	-0.4	—
North American		115.8	-0.3	—
Do. Pens.		157.4	-0.4	—
Far East		307.5	+0.8	—
Do. Pens.		460.6	+1.4	—
Intnl. Currency		149.7	+0.2	—
Do. Pens.		219.3	+0.3	—
Index Linked		125.4	-0.8	—
S & C Managed Fd.		143.9	+0.3	—
S & C Pers Mngd Fd		118.4	+0.2	—
Bell Chambert		131.2	+0.2	—
Lucas & Lucas		120.0	+0.1	—
Transition Life Funds				
Per Worldwide Rec.		173.1	-0.5	—
Per Far East Growth		227.2	+0.4	—
Per Intl Growth		168.5	+0.1	—
Per Income		179.5	-2.2	—
Per Emerging Co's		166.2	-0.6	—
Per American Growth		150.1	-0.8	—
Per European Growth		138.7	-0.5	—
Fra American & Gen		126.8	-0.5	—
Fra Capital		185.4	+0.1	—
Fra Income		196.2	+0.3	—
Fra Intl Growth		139.5	-0.3	—
Fra Japan & Gen		192.6	+0.7	—
Fra Recovery		201.9	-0.5	—
Fra Convertible & Gilt		148.7	+0.2	—
Fra European		139.0	+0.0	—
GAR American		126.8	-0.4	—
GAR European		164.9	+0.1	—
GAR Far Eastern		202.9	+1.8	—
GAR British		191.4	-0.1	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	58.7	62.0	+0.2	—
Stock Market Mngd Fund	60.9	64.2	+0.2	—
Equity Fund	66.2	69.7	+0.4	—
International Fund	57.0	60.1	-0.1	—
European Fund	60.0	63.2	+0.2	—
North American Fund	51.5	54.3	+0.1	—
Pacific Fund	65.8	69.3	-0.7	—
Property Fund	52.9	55.7	+0.1	—
Fixed Interest Fund	48.2	50.8	+0.6	—
Index Linked Sec Fund	45.1	47.5	+0.1	—
Deposit Fund	51.6	54.4		—

NUAM Retirement Plans

Mixed Fund	63.5	66.9		—
UK Ordinary Share	76.9	81.0	-0.1	—
International Fund	58.9	62.0	-0.2	—
Property Fund	52.8	55.6	+0.5	—
Fixed Interest Fund	49.9	52.6	+0.2	—
Index Linked Sec Fund	45.3	47.7	-0.2	—
Deposit Fund	53.6	56.5	+0.1	—

NUAM (NPF)

Managed Fund	811.7	854.5	+3.1	—
Equity Fund	1775.4	1868.9	+11.6	—
Property Fund	328.8	346.2	+0.2	—
Fixed Interest Fund	355.5	374.3	+3	—
Deposit Fund	210.8	221.9		—
International Fund	148.2	156.0		—
Index Linked Sec Fund	45.1	47.5	+0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaker & Unit-Linked Plan*

Fixed Interest Fund	249.8	262.9	-3.5	—
Index-Linked Sec Fund	128.2	134.9	-2	—
Ordinary Share Fund	558.4	587.7	+12	—
International Fund	151.0	158.9	+4.1	—
Property Fund	164.7	173.3	+1.9	—
Deposit Fund	168.0	176.8	+0.4	—
Mixed Fund	353.6	372.2	+6.4	—
Norwich Units Sep 15		1018.4		—

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	157.1	165.4		—
Prop. Acc. (Gross) (z)	246.5	259.5		—
Equity (Gross) (z)	794.1	835.9	-0.7	—
Managed (Gross) (z)	571.6	599.6	-0.8	—
Prop. Acc. (Net) (z)	113.6	119.6		—
Equity (Net) (z)	175.7	185.0	-0.1	—
Managed (Net) (z)	157.0	165.3	-0.2	—
International (Net) (z)	150.0	157.9		—
Gilt & Fixed Interest	91.4	96.3	-0.4	—
Money Fund	96.2	101.2		—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101	100	Treas. 12pc 1987	100	.....	11.98	10.03
99	97	Treas 7¾pc 1985-88‡‡	99	+	7.80	9.54
102	99	Exch 10½pc '88	100	+	10.49	10.19
101	98	Treas 9¾pc Cv '88	99	+	9.79	10.25
97	95	Transport 3pc '78-88	96	.....	3.10	7.62
101	98	Treas. 9½pc '88	99	+	9.57	10.19
105	101	Treas 11½pc 1989	101	.....	11.33	10.27
102	97	Treas 9½pc Cnv 1989	99	-	9.59	10.19
94	89	Treas 3pc 1989	93	—	3.22	7.54
104	99	Treas 10½pc 1989	100	-	10.48	10.26
103	98	Exch 10pc 1989	99	-	10.05	10.27
105	100	Exch 11pc 1989	101	-	10.86	10.26
95	89	Treas 5pc 1986-89	93	+	5.36	8.67
108	99	Exch 10¼pcCv '89	100	—	10.21	9.98
111	105	Treas 13pc 1990‡‡	105	-	12.31	10.12
106	100	Exch 11pc 1990‡‡	101	-	10.89	10.19
110	104	Exch. 12½pc 1990	104	-	11.91	10.19
91	84	Treas. 3pc 1990	88	+	3.39	7.92
100	93	Treas 8¼pc 1987-90‡‡	95	+	8.63	10.15
105	97	Treas. 10pcCv 1990	99	-	10.05	10.20
89	81	Exch 2½pc 1990	85	.....	2.91	7.61
110	102	Treas 11¾pc 1991	103	-	11.30	10.23
95	87	Funding 5¾pc '87-91‡‡	89	+	6.43	9.26
89	80	Treas. 3pc 1991	84	+	3.54	7.95
110	99	Treas 10pc Cv '91 ‡‡	100	-	9.98	9.91
109	101	Exch. 11pc 1991	102	-	10.73	10.22
96	91	Treas. 8pc 1991	92	-		
116	107	Treas 12¾pc 1992‡‡	108	-	11.77	10.27
106	97	Treas 10pc 1992	99	-	10.08	10.23
99	90	Treas. 8pc 1992 ‡‡	92	-	8.70	10.25
108	99	Treas 10½pc Cv 1992‡‡	100	-	10.41	10.25
85	79	Treas. 3pc 1992	79	+	3.74	8.03
115	106	Exch. 12¼pc '92	107	-	11.43	10.33
121	110	Exch 13½pc 1992	111	-	12.07	10.39
		Five to Fifteen Years				
107	97	Treas 10pc 1993‡‡	98	-	10.12	10.27
118	108	Treas 12½pc 1993‡‡	109	-	11.45	10.33
95	82	Funding 6pc 1993‡‡	87	.....	6.88	8.80
125	113	Treas 13¾pc 1993‡‡	114	-	11.98	10.40
129	118	Treas 14½pc 1994‡‡	119	-	12.17	10.34
124	113	Exch 13½pc 1994	114	-	11.84	10.48
107	97	Treas. 10pc Ln. 1994‡‡	98	-	10.13	10.26
120	106	Exch. 12½pc 1994	109	-	11.40	10.47
103	92	Treas 9pc 1994‡‡	94	-	9.55	10.14
118	106	Treas 12pc 1995	107	-	11.15	10.46
84	76	Exch 3pc Gas 90-95	79	+	3.78	6.47
109	98	Exch. 10¼pc 1995	99	-	10.32	10.37
123	111	Treas 12¾pc 1995‡‡	112	-	11.35	10.44
130	117	Treas. 14pc '96	118	-	11.83	10.57
102	92	Treas 9pc 1992-96‡‡	93	-	9.61	10.14
139	125	Treas 15¼pc 1996‡‡	126	-	12.08	10.54
127	114	Exch 13¼pc 1996‡‡	115	-	11.47	10.44
89	81	Redemption 3pc 1986-96	82	-	3.62	5.58
108	96	Conversion 10pc 1996	97	-	10.25	10.39
128	115	Treas 13¼pc 1997‡‡	116	-	11.41	10.47
111	99	Exch 10½pc 1997	100	-	10.44	10.38
101	90	Treas 8¾pc 1997‡‡	90	-	9.62	10.22
140	125	Exch 15pc 1997	126	-	11.87	10.66
106	95	Exch. 9¾pc 1998	96	-	10.15	10.36
88	78	Treas 6¾pc 1995-98‡‡	79	-	8.46	9.86
145	130	Treas. 15½pc '98‡‡	131	-	11.80	10.60
122	109	Exch. 12pc 1998	109	-	10.95	10.47
106	94	Treas 9½pc 1999‡‡	95	-	9.94	10.16
124	110	Exch. 12¼pc 1999	111	-	10.94	10.44
113	100	Treas. 10½pc 1999	101	-	10.37	10.31
111	98	Conversion 10¼pc 1999	99	-	10.30	10.30
100	88	Tr 8½pc Ln. 2000‡‡	89	.....	8.84	9.01
103	91	Conversion 9pc 2000‡‡	92	-	9.76	10.11
131	116	Treas. 13pc 2000	117	-	11.06	10.47
110	97	Treas 10pc 2001	98	-	10.15	10.18
134	120	Treas. 14pc '98-01	121	-	11.55	10.61
108	96	Conversion 9¾pc 2001	96	-	10.06	10.16
122	108	Exch. 12pc '99-02	109	-	10.92	10.47
110	97	Conversion 10pc 2002	98	-	10.11	10.13
109	96	Treas 9¾pc 2002	97	-	10.03	10.10
		Over Fifteen Years				
103	90	Exch. 9pc 2002	91	-	9.78	10.03
136	121	Treas. 13¾pc 2000-03	122	-	11.22	10.50
111	98	Treas 10pc 2003	99	-	10.05	10.05
121	107	Treas. 11½pc 2001-04	108	-	10.58	10.29
111	98	Treas. 10pc 2004	99	-	10.03	10.03
59	51	Funding 3½pc '99-04	53	-	6.53	8.86
107	94	Conversion 9½pc 2004	95	-	9.90	9.99
107	94	Conversion 9½pc 2005	95	-	9.89	9.97
116	103	Exch. 10½pc 2005	104	-	10.07	9.97
132	117	Treas. 12½pc 2003-05	118	-	10.58	10.14
94	83	Treas. 8pc 2002-06‡‡	84	-	9.49	9.83
110	97	Conversion 9¾pc 2006	98	-	9.94	9.96
126	111	Treas. 11¾pc 2003-07	112	-	10.47	10.14
99	87	Treas 8½pc 2007 ‡‡	88	-	9.60	9.81
142	125	Treas. 13½pc '04-08	126	-	10.65	10.12
104	91	Treas. 9pc 2008 ‡‡	92	-	9.69	9.80
54	52	Tr. 9pc Ln 2008 'A' (part-p.)	52	-	9.67	9.78
94	82	Treas 8pc 2009	84	-	9.50	9.75
101	91	Conv 9pc Ln 2011	92	-		
69	60	Treas. 5½pc 2008-12‡‡	62	-	8.88	9.52
91	80	Treas. 7¾pc 2012-15‡‡	81	-	9.52	9.69
134	118	Exch. 12pc '13-'17	119	-	10.02	9.87

BRITISH FUNDS—Contd

1987 High	1987 Low	Stock		Price £	+ or -	Yield Int.	Yield Red.
		Undated					
45	40	Consols 4pc		42	+	9.82	—
40	35	War Loan 3½pc‡‡		36	+	9.70	—
51	47	Conv. 3½pc '61 Aft.		48	+	7.31	—
34	30	Treas. 3pc '66 Aft.		30	+	9.92	—
28	25	Consols 2½pc		25	+	9.89	—
28	25	Treas. 2½pc		25	+	9.79	—
		Index-Linked	(b)			(1)	(2)
131	125	Treas. 2pc '88	(297.1)	131	-	—	—
117	108	Do. 2pc '90	(331.9)	114	-	1.82	3.02
99	93	Do. 2pc '92‡‡	(385.8)	95	-	2.76	3.40
128	119	Do. 2pc '96	(267.9)	123	-	3.73	4.09
111	101	Do 2½pc '01	(308.6)	102	+	4.10	4.35
110	99	Do. 2½pc '03	(310.7)	100	+	4.10	4.32
113	101	Do. 2pc '06	(274.1)	103	+	4.06	4.24
108	95	Do. 2½pc '09	(310.7)	96	+	4.00	4.17
113	100	Do. 2½pc '11	(294.1)	100	+	3.96	4.12
95	83	Do. 2½pc '13	(351.9)	83	+	3.92	4.07
103	90	Do. 2½pc '16	(322.0)	90	+	3.83	4.00
101	88	Do. 2½pc '20	(327.3)	89	+	3.76	3.91
86	74	Do. 2½pc '24‡‡	(385.3)	75	+	3.69	3.82

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for January 1987: 100.0 and for August 1987: 102.1 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
113	98	African Dv Bk 11¼Ln 2010	100	+	11.07	11.05
109	94	Asian Dev Bk 10¼pcLn2009	96	+	10.66	10.71
136	118	Australia 13½pc 2010	121	+	11.13	10.94
118	102	Do. 11¾pcLn2015	104	+	10.94	10.91
115	101	Euro Inv Bk 11pc Ln 2002	102	+	10.69	10.60
110	96	Do. 10¼pc2004	98	+	10.59	10.62
126	111	Int-Am Dev Bk 12½pc 2003	113	+	11.06	10.73
104	90	Do. 9¾pcLn 2015	91	+	10.64	10.69
97	83	Malaysia 10¾pcLn 2009	89	+	12.09	12.18
115	100	NZ 11¼pc 2008	102	+	11.03	10.99
123	102	Do 11½pc 2014	104	+	11.02	10.98
126	100	Sweden 13½pc Ln 2010	121	+	11.12	10.91
101	96	Utd. Mexican States 16½pc	101	+	16.34	15.16

CORPORATION LOANS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
109	103	Birmingham 13½pc 1989	104	+1	12.97	11.21
119	101	Do. 11½pc 2012	101	+	11.30	11.27
95	82	GLC 6½pc 1990-92	86	+3	7.83	10.40
132	115	Leeds 13½pc 2006	115	.....	11.74	14.22
32	22	Liverpool 3½pc Irred.	28	.....	12.50	—
96	85	LCC 6¾pc '88-90	86	-1	7.85	11.60
31	21	Do. 3pc '20 Aft.	27	.....	10.91	—
115	103	Manchester 11½pc 2007	104	.....	11.06	11.00

COMMONWEALTH & AFRICAN LOANS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
92	81	NZ 7¼pc 1988-92	85	.....	8.47	11.00
205	165	S Rhod 2½pc Non-Assntd	204	.....	—	—
78	65	Do. 4½pc 87-92 Assd.	74	.....	—	—
130	70	Zimbabwe Ann (£100pa)	86	.....	—	—

LOANS

Building Societies

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101	100	Nable Ang 11¾pc 26.10.87	100	.....	11.75	10.69
101	100	Do. 11½pc 23.11.87	100	.....	11.49	10.39
101	100	Do. 11½pc 21.12.87	100	.....	11.51	10.49
101	100	Do. 11pc 18.1.88	100	.....	11.11	10.43
101	99	Do. 10½pc 15.2.88	100	.....	10.81	10.39
101	99	Do 10½pc 7.3.88	100	.....	10.50	10.46
101	99	Do. 9¾pc 11.4.88	99	.....	9.77	10.55
102	98	Do. 9¾pc 3.5.88	99	.....	9.75	10.67
101	98	Do. 8¾pc 23.5.88	98	.....	8.99	10.76
100	98	Do. 8¾pc 20.6.88	98	.....	9.06	10.71
100	98	Do. 9¾pc 11.7.88	99	-	9.72	10.79
100	99	Do. 10pc 1.8.88	99	-	10.07	10.77
100	99	Do 10½pc 22.8.88	99	-	10.59	10.71
102	89	Do. 3¾pcIL Ln 2021	89	.....	4.52	4.67

Public Board and Ind.

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
92	84	Agric. Mt. 5pc '59-89	89	.....	5.62	10.90
48	38	Met. Wtr. 3pc 'B'	42	.....	7.14	10.60
103	97	Inv in Ind 11pc UnLn '88	99	.....	11.06	11.60
107	100	Do. 11¾pc Uns.Ln. '90	100	.....	11.69	11.70
98	83	Do 7¼pcADb89-92	88	.....	8.24	10.80
113	103	Do. 12½pc Un. Ln. 1992	103	.....	12.08	11.30
98	82	Do. 7¼pcA '91-94	87	.....	8.29	7.80
101	89	Do. 9pcA '91-94	95	.....	9.42	9.90
100	85	Do. 8¾pcLn '92-97	88	.....	10.03	8.55

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27¼	Rex NY Corpn $5	33¾	+½	$1.16	—	2.1
12¼	14	Rockwell Intl. $1	15¼	.....	66c	—	2.6
30	22	Sara Lee $1	27¾	+¼	$1.00	—	2.2
11	8⅞	Saul (B. F.) $1	11½	+	20c	—	1.1
27	2¼	Southwestern Bell $1	27	–⅛	N$2.32	—	5.3
19	14	Staley Continental	18¼	–⅛	80c	—	2.6
44	34½	Sun Co. Inc. $1	37½	+	$3.00	—	4.9
47	28	TRW Inc. $0.625	39¾	+½	t$1.60	—	—
34	25	Tenneco $5	34	+⅛	$3.04	—	5.4
220	144	Do. 10pcLn.Stk. 91-5	220	.....	10%	—	4.7
29	17	Texaco $6.25	24½	–⅛	$3.00	—	7.4
74	47	Time Inc. $1	65	+⅞	$1.00	—	0.9
19	11	Tracor $0.33	19	.....	40c	—	1.2
30	18	Transamerica $1	25	+⅛	$1.80	—	4.4
1	1¼	Transworld Corp $5	11	–⅛	20c	—	1.0
27	14	TRINOVA Corp.	25¼	.....	$1.00	—	2.4
24	15	USX $1	23	+⅛	$1.20	—	3.2
19	15	Union Carbide $1	17¼	–⅛	$1.50	—	3.3
37	26	Utd. Technologies	35	+	$1.40	—	2.4
38	27	US West	36¼	.....	$3.28	—	5.5
30	17¼	Waste Management $1	28½	+⅛	—	—	—
£31	£20	Whirlpool $1.0	£22¼	–¼	—	—	—
37¼	26	Woolworth $3½	30¼	+½	$1.32	—	2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
412	305	PWS Holdings 10p	348	.....	10.5	2.9	4.2	12.7
498	336	Pearl Group 5p	485	+14	10.5	—	3.0	—
£11½	804	Prudential	£10⅞	.....	29.0	—	3.7	—
580	435	Refuge 5p	575	.....	15.75	—	3.8	—
571	424	Royal	568xd	−10	15.5	—	3.7	—
305	93	Sabre Ins.	185	+2	—	—	—	—
345	274	Sedgwick Group 10p	297	+1	12.0	1.7	5.5	12.7
339	207	Steel Burrill J. 10p	237	.....	9.0	2.0	5.2	13.2
668	403	Stewart Wr. 20p	638	+18	13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	510	−2	6.0	2.5	1.6	33.4
£11⅜	645	Sun Alliance	£11⅛	.....	23.5	—	2.7	—
£12⅞	929	Sun Life 5p	£12¾	.....	28.5	—	—	—
£69⅞	£39	Taisho M EDR	£47½	−½	10%	—	0.9	—
£22⅜	£14⅞	Torchmark $1.00	£18⅞	+⅛	$1.00	—	3.2	—
385	235	Trade Indemnity	385xd	.....	4.5	—	1.5	—
£34	£24⅝	Travelers $1.25	£27½	+⅛	$2.28	—	5.0	—
£30⅛	£22⅞	USF & G Corp $2.50	£26⅝	.....	$2.48	—	6.3	—
£33⅞	£20⅞	USLIFE Corp. $1.0	£25⅞	−⅛	$1.20	3.2	3.1	9.2
728	556	Utd Friendly B 10p	728	.....	21.0	—	4.0	—
464	345	Willis Faber 12½p	430xd	+20	10.75	2.4	3.4	16.4
128	41	Windsor Secs. 10p	115	−1	0.7	1.5	0.8	—

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98xd	.....
Craig & Rose £1	730	−33
Finlay Pkg. 5p	110xd	−1
Holt (Jos) 25p	£10½	+½
IoM Stm. £1	278	.....
IRISH		
Fund 11¼% 1988	£101¼xd	.....
Nat. 9¾% 84/89	£98¼	.....
Fin. 13% 97/02	£107⅞	.....
Arnotts	365	−5
CPI Hldgs	85	.....
Carroll Inds.	195	.....
Dublin Gas	40	.....
Hall (R. & H.)	200	+20
Heiton Hldgs.	78	.....
Irish Ropes	185	−20
Unidare	420	−5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp.	50
BSR	17
BTR	34
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
Turner Newall	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2

* New time dealings may take place from 9.00 am two business days earlier.

Takeover speculation drives equities higher but Gilts turn down as pound eases

London's stock markets were enlivened by several sizeable takeover offers and *similar* speculative developments yesterday. Active trading in several major sectors of the market brought a mid-session gain of 19 FT-SE points, before a profit-taking reaction clipped gains towards the close.

Government bonds, which had gained ¼ of a point in early trading, closed with net falls of ⅝ after the pound backed away from the DM 3.00 mark, which is now regarded in the Gilts market as an official barrier.

The stock market rose strongly in the first half of the session when a batch of bid or speculative developments sent banks, oils and food shares racing ahead. But the market's gain was cut back towards the close as the Gilt-edged sector wilted. Insurance shares trembled *in late dealings* on the reports of a major earthquake in California. Royal Insurance, with significant involvement in the Californian insurance market, dipped smartly.

Interest in British Petroleum remained thin as the market braced itself for the huge privatisation sale.

The FT-SE 100 index ended a net 7.8 points up at 2373.8, while the FT Ordinary Index at 1860.9 was 7.2 up.

Gold shares were a shade easier in London as traders took a cautious view of the suggestion by Mr James Baker, the US Treasury Secretary, that gold should play a more prominent role in global economic policies.

There was very little selling pressure on gold shares, although *any return of attempts to* "manage" world bullion prices would be received unfavourably in the stock markets.

A takeover offer worth £767m from AB Foods for S and W Berisford, reviving one of the market's longest running speculative situa*tions, set the food and consumer* sector alight. AB Foods already has a 23.7 per cent stake in Berisford, taken earlier this year after two previous bids for the commodities group failed to reach fruition.

The financial sector also returned to the centre of the speculative arena after shares in Hill Samuel were suspended pending a statement from the boardroom—the City assumed that another bid is coming for Samuel which was recently rejected by Union Bank of Switzerland.

Recent activity among the second line oil stocks was highlighted by the announcement that Burmah Oil and SHV Holdings of Holland have opened bid discussions with Calor Gas.

Gilts received a boost at the opening from a £15m deal involving 3,000 Gilt futures contract as a major US house switched out of US Treasuries and into UK Government bonds.

But the market slackened off after the deal was concluded, and the close was "very disappointing," to quote a leading trader. With the US bond markets easier in early trading, and the pound lower, UK bonds shaded lower. However, selling was light and some small buyers showed interest at the lower levels.

The long-running saga for control of S. W. Berisford, th commodities group which owns British Sugar, took another surprise turn yesterday. Gary Watson's Associated British Foods is attempting to succeeed where Hillsdown and Tate and Lyle both failed, and the Italian Ferruzzi group was compelled to reduce a strategic stake, which it eventually sold to AB Foods.

S. & W. Berisford's shares surged above the 400p cash offer from AB Foods on thoughts that thecompany would put up a spirited defence. *Speculations* also developed regarding a possible counter from the US Pritzker family which, together with certain S. & W. Berisford direcors, bought a 14.9 shareholding recently from Tate & Lyle. ABF does not expect its bid to be refer*red to the Monopolies Commisson*, which blocked the Tate & Lyle effort earlier this year. At the close of business, S. & W. Berisford were 76 higher at 425p and ABF 27 up at 370p.

Hill Samuel spearheaded a dramatic advance by the merchant banks and touched 710p before being suspended, at the company's own request, ahead of a statement on the banks future.

Analysts were confidently predicting the sale of Hill Samuel to the cash-rich TSB group who, they said, would seel part of the bank on; BZW were said to be the probable buyer of Hill Samuel's corporate finance department. A statement from Hill Samuel and TSB is expected this morning with dealers forecasting a bid price of 800p a share, valuing Hill Samuel at around £738m.

Hill Samuel previously attracted bid intentions, subsequently abandoned, from Union Bank of Switzerland, and rejected an approach from advertising giant Saatchi & Saatchi.

Recent rumours om impending takeover developments at Calor Gas,part of the old Imperial Continental Gas, proved bang on target as is was revealed that Burmah and SHV Holdings are involved in talks which could result in them making a joint bid for Calor at "a modest premium" to Wednesday's *closing price of* 500p. Calor jumped 49 to 549p yesterday after the 29p rise on Wednesday.

Burmah currently has a 2.4 per cent stake in Calor and SHV a 29.9 per cent stake. But dealers said Burmah would have to pay a "*minimum*" *of 600p a share* and possibly as much as 700p to win control of Calor. A leading oil share analyst said " an opening bid by Burmah/SHV would almost certainly not be theend of the story."

Ultramar shares soared from 279p to 303p during early trading when a single deal of 1.5m shares appeared on the *Stock Exchange* ticker, triggering a wave of bid speculation. They closed a net 20 up at 299p with turnover expanding rapidly to 17m shares.

The 1.5m share trade was subsequently revealed to have been an error—the trade should have been 150,000 shares. But it was sufficient to promote stories that the company is being stalked by a UK independent, who could be seeking to acquire Ron Brierley's 13 per cent stake in Ultramar.

Howard Pearl, Finance Co-Ordinator at Ultramar refused to comment on the bid rumours but said the steep rise could have represented a general re-assessment of Ultramar's discount to asset value. Kleinwort Grieveson's Philip Lambert yesterday estimated Ultramar's net asset value of 395p a share.

Pilkington major glass manufacturer settlede a penny cheaper at 338p amid active trading; some 11m shares changed hands, including a block of 4.9m shares at 336p. Brokers Cazenove who reportedly did the lion's share of the business, had no comment on the trades, but it is thought that one sizeable seller was accomodated "in house."

Pilkington settlede a penny cheaper at 338p said active trading; some 11m shares changed hands, including a block of 4.9m *shares at 336p, brokers Cazenove* who repeatedly bid the lion's share of the business, had no comment on the trades, but it is thought that one sizeable seller was accommodated "in house."

Bid speculation continued to drive merchant banks sharply higher. Morgan Grenfell, said to be under threat from Robert Holmes 2a Court, interests, spurted 29 to 588p. Kleinwort Benson moved up 17 to 584p, Hambros 15 to 365p and SG Warburg 10 to 515p, after 518p.

Midland jumped 10 to 548p on a turnover of 4.6m with the "mystery" buyer said to have picked up another 1m-plus shares during the *morning*. Recent *rumours* that Hanson Trust had perhaps reduced its stake by 1 per cent or so, were said to have been wide of the mark.

Insurance brokers were featured by renewed heavy buyig of Willis Faber—up 20 more to 430p *for a three-day gain of 84—still on* the story that Dewey Warren will bid for the group in order to acquire Willis' 20.9 per cent stake in Morgan Grenfell.

Consumer electronics group Alba staged a successful market debut, the shares opening at 153p and advancing to 161p compared with a placing of 130p. USM newcomer Marcel, a computer consultancy concern, touched 128p prior to closing at 121p which compares with a placing price of 115p.

Blue Circle attracted good support and rose 14 to 489p on reports that the company had posted a $6 cement price increase for its Atlanta, Georgia operations. Vague rumours that another player may enter the plasterboard market prompted further selling of BPB Industries which dipped 6 more t 348p; market makers also cited advice from Chase Manhattan Securities to switch from BPB to Redland as a further depressant on the former's share price; Redland, which recently set up a joint plasterboard operation with CSR and also acquired a Norwegian plasterboard concern, firmed 6 to 521p. Marley attracted good support on "chart breakout" suggestions and gained 5 to 195p, while Ibstock Johnsen put on 10 more to 241p on prospects for its Portugese pulp mill operations. Magnet firmed 8 to 273p on talk of a broker's bullish circular, while Meyer, still reflecting a Wood Mackenzie recommendation, gained 19 more to 470p. Ward Holdings rose 8 to 204p reflecting the presence of a sizeable buyer, while Kentish Property put on 20 to 260p in a restricted market.

ICI moved up ⅛ to £16⅛ on *reports* that Warburg Securities had taken a positive stance, but Fosecs shed 2

to 312p following comment on the results.

Difficulties in current trading expressed earlier this week by Freemans were mirrored by mail-order *rival Empire Stores. Against* widespread propections that first-half profits would rise to aruond the £3m mark, Empire revealed a pre-tax outcome of just £109,000. The market's immediate reaction was to slash Empire shares to 203p; "cheap" support was *evident* at the lower levels, however, as analysts concentrated on the group's recovery prospects and takeover attractions, the former being aided by the interim dividend which was increased to 1.65p per share, and the clos was just 1 lower on balance at 234p. GUS, regarded in some circles as a prospective bidder, dipped below £14 at one stage before rallying to £14⅛. Freemans finished 3½ lower at 232p.

Other Retailers, by way of contrast, generally tended higher. Sears advanced 5½ to 1755p reflecting occasional interest in front of next Tuesday's interim statement; Chase Manhattan Securities are anticipating profits of £87m. Etam rose 16 to 332p as the 45 per cent increase in mid-term *exceeding most* expectations. Buyers also returned for perennial speculative favourites Underwoods, which put on 20 to 219p with the aid of Press mention, and William Bedford, also 20 to the good at 216p.

Electronics group Ferranti jumped 10½ to 137½p after a turnover of over 14m shares with speculators chasing the shares higher amid rumours that a bid from either STC, British Aerospace or Smiths Industries is imminent; Ferranti last week announced an agreed share exchange bid for International Signal.

Rolls-Royce showed no further ill-effects of the breach of the foreign shareholdings limits. Brokers reported institutional demand along with renewed inquiries from private investors and the price rebounded 5½ to 211p during a turnover of 12m shares. Other Engineering features included Staveley Industries, up 11 at 221p, and United Spring, 5½ higher at 130p. Still reflecting a buy recommendation, IMI *improved* 2½ *more to* 261p. Scrimgeour Vickers rates the stock a very attractive situation, pointing out its most able management and high quality business portfolio.

The offer for S. & W. Berisford put the focus back on the Food sector. Numerous stocks enjoyed enhanced activity and the list of double-figures rises was too long to mention, embracing top-quality and secondary issues.

Speculation continued to surround Trusthouse Forte, although turnover fell short of Wednesday's high level. Inter-market business was considerable with periodic sales restricting price progress, the close being unchanged at 271p.

The major international stocks were irregular. Fisons were unchanged at 356p following reports of a meeting with Kleinwort Grievson, but Glaxo shed ¼ to £17½ reflecting traded option related selling. English China Clays continued to attract buyers as the visit to the company's Belgian operations got underway and the price rose 13 more to 579p; Scrimgeour were in the vanguard of the upward movement in ECC, amid talk that the broker had issued a bullish circular. Reed International, in which Mr Rupert Murdoch was recently identified as a shareholder, rose 15 to 609p, while Trafalgar House, on renewed takeover speculation, gained 12 to 410p.

Property groups regained composure after recent cash calls, Peachey rallying 10½ to 448p and Local London 20 to 820p. Estate Property, 240p were little affected by withdrawal of the London Securities offer.

FINANCIAL TIMES STOCK INDICES

	Oct. 1	Sep. 30	Sep. 29	Sep. 28	Sep. 25	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.72	85.55	85.51	85.86	85.45	82.30	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.84	91.61	91.76	92.02	91.64	90.25	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1860.9	1853.7	1849.8	1851.3	1831.6	1246.0	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	444.9	453.1	456.9	462.6	467.1	317.2	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.16	3.16	3.17	3.16	3.19	4.45				
Earnings Yld.%(full)	7.72	7.74	7.75	7.73	7.81	10.20				
P/E Ratio (net) (*)	15.86	15.82	15.80	15.82	15.66	12.02				
SEAQ Bargains (5 pm)	37,996	35,856	37,458	37,445	47,178	—				
Equity Turnover (£m)	—	1891.17	2134.61	1329.58	1,809.22	531.22				
Equity Bargains	—	42,828	44,046	45,316	51,479	18,749				
Shares Traded (ml)	—	645.6	731.7	552.6	671.7	248.2				

S.E. ACTIVITY

Indices	Sept. 30	Sept. 29
Gilt Edged Bargains	117.3	116.3
Equity Bargains	277.5	285.4
Equity Value	3822.5	4314.6
5-Day Average		
Gilt Edged Bargains	120.7	124.5
Equity Bargains	297.7	300.0
Equity Value	3613.4	3944.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1860.0	1864.4	1869.4	1869.4	1871.1	1870.1	1867.5	1863.9

Day's High 1871.4 Day's Low 1860.0. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, * Nil=15.64.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (215)

AMERICANS (3), BANKS (2), BREWERS (5), BUILDINGS (3), CHEMICALS (5), STORES (6),ELECTRICALS (14), ENGINEERING (8), FOODS (3), HOTELS (4), INDUSTRIALS (47), INSURANCE (3), LEISURE (5), MOTORS (1), NEWSPAPERS (2), PAPERS (10), PROPERTY (6), SHIPPING (1), SHOES (1), TEXTILES (1), TRUSTS (75), OVERSEAS TRADERS (1), PLANTATIONS (1), MINES (5), THIRD MARKET (1).

NEW LOWS (4)

AMERICANS (1) CityFed Fin., CANADIANS (1) Bank Nova Scot., BANKS (1) Cie. B'Cre., ELECTRICALS (1) Rodime.

TRADED OPTIONS

Traded option volume held up well with 52,161 contracts traded. Much of the session's business, however, was concentrated on a few classes. *Recent favourite* Rolls-Royce were again lively with 6,962 calls traded, the October 205's and January 195's accounting for 1,692 and 1,228 respectively. Rolls-Royce also attracted 931 puts. Confirmation of a tie-up with *Plessey on* System X stimulated demand for GEC options in the wake of the strength of the underlying share price; GEC recorded 4,590 calls.

Traditional Options

- First dealings Sept 21
- Last dealings Oct 2
- Last declaration Dec 17
- For Settlement Dec 28

For rate indications see end of London Share Service

Money was given for the call of Ibstock Johnsen, Land Secrities, Astra Holdings, Astra Industrial, Christy Hunt, Dominion International, Ferguson Ind., Systems Designers, Ossory Estates, Greene King, Sound Diffusion, Norfolk Capital, Burton, Abaco, BOM, T & N, Atlantic Comp., Common Bros., Amber Day, Trusthouse Forte, Dee Cps., J. England, Marling and Storehouse. Puts were arranged in Dinkie Heel, Britannia Sec. and Pavion.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	16,000	211	+8½	ICI	2,700	£16⅛	+0⅛
Allied Lyons	896	441	−1	Jaguar	140	574	+2
Amstrad	2,800	183½	+6½	Ladbroke	649	455	+2
Argyll Group	4,300	247	+12	Land Securities	96	601	−1
Assoc. Brit. Foods	1,800	370	+27	Legal & Gen.	1,100	360	—
BAA	4,400	145	−1	Lloyds Bank	1,900	370	+2
BAT	2,200	696	−6	Lonrho	2,800	335½	−1
BET	1,300	294	—	Lucas	552	791	+5
BICC	713	420	—	MEPC	425	560	−1
BOC	407	549	+3	Marks & Spencer	8,700	238½	+2½
BPB Inds	3,500	348	−6	Midland Bank	4,500	548	+10
BPCC	253	362	−1	Natwest Bank	1,300	758	+3
BTR	2,500	362	−1	Next	1,800	371	−3
Barclays	3,000	609	+11	Pearson	627	948	+2
Bass	452	£10	—	P & O	527	738	—
Beecham	2,700	578	−3	Pilkington Bros	11,000	338	−1
Blue Arrow	2,300	168	+1	Plessey	3,100	221	+1½
Blue Circle	1,200	489	+14	Prudential	223	£10⅞	—
Boots	2,000	306	—	Racal	5,300	343	+5
Brit. Airways	3,100	219	+5	Rank Org.	857	713	+9
Brit. Aero	1,000	534	+7	RHM	1,500	368	+11
Brit. & Comm.	478	527	−2	Reckitt & Col	97	£10⅝	—
British Gas	7,300	173	—	Redland	542	520	+5
Britoil	2,300	336	−2	Reed Intl	2,800	609	+15
BP	4,300	376	−3	Reuters	272	906	+1
Brit. Telecom	10,000	266½	+3½	RTZ	463	£13⅝	−0⅛
Bunzl	1,300	293	−1	Rolls-Royce	11,750	211	+5½
Burton	2,000	290	+2	Rothmans Intl	1,400	455	−4
Cable & Wire	2,880	504	—	Rowntree	981	562	+10
Cadbury Schwps	3,100	284	+4	Ryl Bank Scotland	1,200	417	—
Coats Viyella	747	420½	+5½	Royal Insurance	3,000	568	−10
Comm. Union	5,000	413	−1	STC	1,900	290	+1
Cons. Gold	446	£14⅛	—	Sainsbury	896	282	+1
Cookson	921	815	+5	Scott & Newcastle	4,200	259	−2
Courtaulds	886	529	+1½	Sears	5,500	175½	+5½
Dee Corpn.	6,000	217	+9	Sedgwick	1,500	297	+1
Dixons Group	1,150	387½	+2½	Shell Trans	646	£13⅛	−0⅛
English China Clays	1,700	579	+13	Smith & Nephew	1,200	190	−0½
Fisons	6,200	356	—	Standard Chart	226	828	+1
Gen. Accident	440	£11⅛	−0⅛	Storehouse	6,800	407	+3
Gen. Elect.	13,000	229½	+3½	Sun Alliance	211	£11⅞	—
Glaxo	2,200	£17½	−0¼	TSB	5,700	139½	+2
Globe Investment	785	191½	+2½	Tarmac	1,600	304	+2
Granada	1,900	353	+3	Tesco	1,800	196	−1
Grand Met	3,100	569	−10	Thorn EMI	1,700	724	+9
GUS "A"	857	£14⅛	—	Trafalgar House	5,310	410	+12
Guardian R.E.	163	£11⅞	—	T'house Forte	9,500	271	—
GKN	246	412	—	Ultramar	15,500	299	+20
Guinness	12,000	375	+3	Unilever	1,000	634	+3
Hammerson	443	693	+17	United Biscuits	1,800	321	+5
Hanson Trust	5,900	180½	−2	Wellcome	918	545	—
Hawker Sidd	573	596	+2	Whitbread "A"	3,250	328	+4
Hillsdown Hldgs	770	346	—	Woolworth	1,100	960	+9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	30	15
Corporations, Dominion and Foreign Bonds	18	4	33
Industrials	627	298	653
Financial and Properties	269	78	270
Oils	37	29	47
Plantations	3	3	8
Mines	31	79	80
Others	96	84	66
Totals	1,149	605	1,172

FT-ACTUARIES WORLD INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thursday October 1 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Sep 30 Index No.	Tue Sep 29 Index No.	Mon Sep 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	1008.72	+0.9	6.92	2.79	18.13	17.43	999.91	997.83	993.33	649.34
2	Building Materials (30)	1263.34	+0.8	7.35	2.86	16.97	21.17	1253.80	1250.01	1237.79	742.40
3	Contracting, Construction (33)	1857.01	+0.6	6.62	2.70	20.19	27.76	1846.88	1858.53	1836.37	1141.11
4	Electricals (14)	2547.48	+0.6	6.79	3.40	18.73	46.23	2533.35	2528.28	2545.27	1685.11
5	Electronics (34)	2152.86	+1.4	7.47	2.34	17.45	34.51	2122.99	2102.94	2090.42	1410.81
6	Mechanical Engineering (60)	539.45	+1.0	6.79	2.97	18.54	10.70	534.12	534.79	532.81	357.07
8	Metals and Metal Forming (7)	587.68	+0.9	6.83	2.78	17.78	8.88	582.35	581.23	581.96	329.85
9	Motors (14)	405.86	+0.6	7.21	2.77	16.24	5.75	403.35	404.02	405.56	268.88
10	Other Industrial Materials (22)	1733.38	+0.6	5.99	3.00	19.84	35.24	1723.33	1725.18	1721.06	1289.86
21	CONSUMER GROUP (183)	1376.85	+0.7	5.95	2.51	21.40	17.74	1367.67	1369.23	1372.19	905.51
22	Brewers and Distillers (22)	1224.49	−0.3	8.27	3.01	15.28	17.51	1228.85	1231.32	1237.84	898.07
25	Food Manufacturing (23)	1042.39	+2.4	7.07	2.98	18.26	16.30	1017.87	1017.99	1024.11	678.74
26	Food Retailing (16)	2564.86	+2.1	5.74	2.30	23.20	36.85	2512.64	2509.60	2526.42	1870.58
27	Health and Household Products (10)	2634.54	−0.8	3.93	1.54	29.48	16.41	2654.46	2672.78	2676.72	1513.97
29	Leisure (31)	1459.71	+0.6	5.62	3.03	22.23	27.70	1450.62	1428.97	1431.09	906.43
31	Packaging & Paper (15)	713.79	—	5.91	2.55	22.27	10.75	714.17	710.18	697.24	451.47
32	Publishing & Printing (15)	4998.96	+0.6	4.09	2.83	31.34	67.01	4969.45	4943.71	4986.55	2549.92
34	Stores (35)	1115.49	+0.9	6.33	2.61	21.42	14.37	1105.41	1113.56	1115.56	831.01
35	Textiles (16)	912.97	+0.6	6.92	2.53	16.72	12.15	907.19	904.60	908.72	517.72
40	OTHER GROUPS (86)	1177.34	+0.4	7.41	3.01	16.82	20.55	1172.62	1173.02	1168.85	741.26
41	Agencies (17)	1739.85	+0.5	3.61	1.90	36.33	15.86	1730.68	1729.19	1726.33	0.0
42	Chemicals (21)	1525.40	+0.7	6.47	3.81	18.91	32.41	1514.59	1520.79	1528.55	971.61
43	Conglomerates (13)	1502.70	+0.1	6.85	3.11	16.70	22.10	1500.91	1506.50	1502.47	0.0
45	Shipping and Transport (11)	2392.77	+0.5	7.07	3.44	18.59	51.44	2381.94	2376.73	2371.26	1429.88
47	Telephone Networks (2)	1165.75	+1.0	9.17	3.66	14.55	18.98	1094.76	1090.58	1088.42	714.79
48	Miscellaneous (22)	1752.86	−0.6	8.71	2.69	13.69	32.28	1763.11	1763.76	1742.74	1035.88
49	INDUSTRIAL GROUP (483)	1242.73	+0.7	6.60	2.72	19.08	18.96	1234.69	1234.80	1233.40	804.79
51	Oil & Gas (17)	2277.69	−0.3	7.28	4.30	16.98	65.09	2284.48	2277.07	2274.31	1387.21
59	500 SHARE INDEX (500)	1330.66	+0.5	6.70	2.95	18.75	22.93	1323.85	1323.33	1321.82	853.62
61	FINANCIAL GROUP (119)	879.59	+0.5	—	3.49	—	18.77	874.99	874.75	873.65	572.76
62	Banks (8)	868.45	+0.9	15.37	4.48	8.60	25.98	860.31	863.13	873.60	628.10
65	Insurance (Life) (9)	1229.33	+0.4	—	3.60	—	25.73	1224.95	1227.54	1286.62	809.74
66	Insurance (Composite) (7)	680.08	−0.6	—	4.05	—	15.97	684.04	685.57	682.93	443.76
67	Insurance (Brokers) (8)	1285.90	+2.1	8.64	4.45	14.82	36.87	1259.30	1231.76	1284.58	1183.42
68	Merchant Banks (12)	518.94	+2.4	—	2.50	—	8.31	506.55	504.57	504.89	322.92
69	Property (48)	1345.72	+0.1	3.60	2.20	35.93	14.54	1344.24	1338.78	1337.71	726.72
70	Other Financial (27)	595.86	+0.2	5.83	2.66	21.94	9.51	594.92	595.89	590.16	332.60
71	Investment Trusts (90)	1202.95	+0.7	—	2.03	—	14.35	1194.01	1190.67	1182.41	775.62
81	Mining Finance (2)	684.54	−0.5	6.68	2.55	17.02	10.41	688.22	693.17	700.04	306.95
91	Overseas Traders (10)	1317.05	−0.2	7.15	3.61	16.54	29.58	1319.23	1318.83	1314.56	667.86
99	ALL-SHARE INDEX (721)	1214.97	+0.5	—	3.00	—	21.48	1208.89	1208.47	1206.99	776.10

	Index No.	Day's Change	Day's High	Day's Low	Sep 30	Sep 29	Sep 28	Sep 25	Sep 24	Year ago
FT-SE 100 SHARE INDEX ♦	2373.8	+7.8	2385.1	2372.1	2366.0	2368.3	2368.1	2342.6	2313.4	1573.1

FIXED INTEREST

	PRICE INDICES	Thu Oct 1	Day's change %	Wed Sept 30	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.13	−0.02	120.33	0.17	9.07
2	5-15 years	134.05	−0.15	134.26	—	10.50
3	Over 15 years	141.56	−0.27	141.94	—	10.29
4	Irredeemables	156.25	+0.32	155.75	—	8.81
5	All stocks	131.68	−0.12	131.91	0.06	10.05
	Index-Linked					
6	5 years	119.89	−0.04	119.94	—	2.18
7	Over 5 years	110.86	+0.14	110.71	—	2.60
8	All stocks	111.45	+0.13	111.31	—	2.55
9	Debentures & Loans	113.75	+0.12	113.81	0.39	8.07
10	Preference	82.75		82.75	—	4.89

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 1	Wed Sep 30	Year ago (approx.)
	British Government				
1	Low	5 years	9.60	9.59	9.78
2	Coupons	15 years	9.90	9.86	10.39
3		25 years	9.71	9.69	10.41
4	Medium	5 years	10.33	10.29	11.36
5	Coupons	15 years	10.16	10.13	10.77
6		25 years	9.92	9.92	10.36
7	High	5 years	10.40	10.38	11.47
8	Coupons	15 years	10.33	10.29	10.99
9		25 years	9.96	9.95	10.48
10	Irredeemables†		9.94	9.93	10.12
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.52	3.50	4.94
12	Inflation rate 5%	Over 5 yrs.	4.15	4.15	3.74
13	Inflation rate 10%	5 yrs.	3.54	3.52	3.59
14	Inflation rate 10%	Over 5 yrs.	4.15	4.16	3.57
15	Debs &	5 years	11.70	11.69	11.49
16	Loans	15 years	11.55	11.56	11.47
17		25 years	11.40	11.43	11.45
18	Preference†		10.98	10.98	11.29

♦ Opening index 2372.1; 10 am 2377.6; 11 am 2381.8; Noon 2383.0; 1 pm 2385.1; 2 pm 2383.8; 3 pm 2380.0; 3.30 pm 2378.4; 4 pm 2377.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*442)	390	57	65	78	2	4	10
	420	30	42	57	4	15	20
	460	6	23	35	25	35	40
Brit. Airways (*219)	190	30	—	—	2	—	—
	200	20	30	35	2½	8	13
	220	6	19	26	10	21	27
Brit. & Comm. (*529)	460	77	92	103	2	5	12
	500	38	65	80	5	15	22
	550	8	35	53	28	35	41

[illegible]

Option		Calls Nov.	[illegible]
LASMO (*379)	330	53	[illegible]
	360	33	[illegible]
	390	17	[illegible]
Plessey (*222)	200	28	[illegible]
	220	14	[illegible]
	240	6	[illegible]
Prudential (*1090)	1000	97	[illegible]
	1050	67	[illegible]
	1100	35	[illegible]

[illegible]

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

[illegible]

EQUITIES

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued)

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

FINLAND | NETHERLANDS | SOUTH AFRICA

FRANCE | AUSTRALIA | NORWAY

CANADA

TORONTO

Prices at 2.30pm

October 1

MONTREAL

Closing prices September 30

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

MONTREAL Portfolio

* indicates pre-close figure

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing Price	Change on day
Santa-Fe	3,596,000	63⅝	+4¼	Pan-Am	2,296,400	4⅝	+⅛
S. Calif. Edison	3,148,100	31⅝	−⅛	Allied Signal	2,155,700	45⅝	+1⅛
IBM	3,065,900	150¼	+⅛	IC Industries	2,002,600	40¼	+⅝
Pacific Telesis	2,821,700	32⅜	−⅜	Gen. Electric	1,973,700	61½	+¼
AT&T	2,767,000	33¼	−⅝	Exxon	1,835,000	48⅝	−⅝

**Saturday September 26: Japan Nikkei 25,512.8, TSE 2114.10

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

LONDON – Most Active Stocks

Thursday, October 1, 1987

TOKYO – Most Active Stocks

Thursday, October 1, 1987

LONDON Chief price changes

(in pence unless otherwise indicated)

RISES:

Assoc Brit. Foods	370	+27
Berisford (S & W)	425	+76
Bl. Circle Inds.	489	+14
Calor Gr.	549	+49
Eng. China Clys	579	+13
Etam	332	+16
Ferranti	137½	+10½
Hogg Rob & G.M.	238	+11
Ib. Johnsen	241	+10
Midland Bk	548	+10
Morg. Grenfell	588	+29
Northern Foods	300	+10
Peachey Prop	448	+10½
RHM	368	+11
Reed Intl.	609	+15
Rlls Ryce	211	+5½
Murray (Sand.)	232	+47
Staveley Inds.	221	+11
Traf. Hse	410	+12
Ultramar	299	+20
Willis Faber	430	+20

FALLS:

BPB Inds.	348	−6

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	21	AAR s	.50	1.4	23	70	36⅝	36	38¼	
52	23¾	ADT	.92	1.8	29	32	51¾	51¾	51¾	
32¼	16¾	AFG s	.16	.5	11	975	32	31⅞	32	−⅛
25⅝	8⅞	AGS s			22	391	24	23¼	23⅞	+⅜
9⅜	4⅞	AM Intl			64	788	7⅛	6⅞	7	+⅛
65½	50½	AMR			12	5259	56⅝	55¾	56½	+¾
27½	24⅞	ANR pf 2.67		10.		2	25½	25½	25½	
38¼	35	ARCO Ch n				14398	u38¾	36⅝	38	+⅛
12¼	6¼	ARX s			11	191	10½	10⅜	10½	
73½	34⅞	ASA	2a	3.3		1015	60¼	59⅛	60	
21⅜	9¾	AVX			43	601	u21½	20⅝	21⅜	+¾
67	41⅛	AbtLab	1	1.7	24	6021	60	58⅝	59⅞	+⅞
28	23¼	Abitibi g				77	24⅝	24¼	24¼	−⅝
16¾	9¾	AcmeC .40		2.7	15	146	14¾	14½	14⅝	
10½	6⅛	AcmeE .32b		3.4	59	64	9⅜	9⅛	9⅜	+¼
23⅞	19	AdaEx 3.42e		15.		207	22⅝	22¼	22⅜	+⅜
19½	10	AdmMl s .24		1.7	11	480	14⅜	12¾	13⅞	+1¼
28⅞	12⅛	AdvSys .62t		2.4	17	74	26¾	26⅛	26¼	−¼
24½	12⅞	AMD				18835	24¼	22	24⅛	+2⅛
56⅝	47	AMD pf 3		5.5		582	55	53¼	55	+1¾
11⅞	5¼	Aoobe				104	9¾	9½	9¾	
21⅞	17	Adob pf 2.40		12.		32	20⅜	20⅜	20⅜	−⅛
15	10⅜	Advest .12a		1.0	9	209	12¼	11⅞	12	−⅛
68¼	53	AetnLf 2.76		4.6	9	1012	61⅛	59¾	60⅜	−¼
83½	29⅛	AflPb s .32		.5	22	476	70¾	69½	70¾	+⅞
26⅞	18⅝	AhmansBB		4.2	7	7187	20⅞	20⅜	20¾	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37_8	1_8	Wurlitzr				22	$2\frac14$	$2\frac14$	$2\frac14$	
$20\frac18$	$11\frac18$	WyleLb	.32	1.6	34	1059	u$20\frac14$	$18\frac58$	$20\frac14$	+1
$30\frac38$	16	Wynns	.80	2.1	23	386	$28\frac58$	29	29	$-\frac58$
		X Y Z								
85	$51\frac14$	Xerox	3	3.8	18	5295	$79\frac18$	$78\frac58$	$78\frac58$	$-\frac38$
$58\frac14$	$53\frac38$	Xerox pf5.45		10.		16	$54\frac14$	$53\frac78$	54	$+\frac18$
$31\frac12$	$21\frac78$	XTRA	.64	2.2	23	38	$29\frac14$	29	29	$-\frac14$
$27\frac78$	$25\frac58$	XTRA pf1.94		7.1		186	$27\frac12$	$27\frac12$	$27\frac12$	$+\frac12$
$32\frac12$	16	Yorkln			16	290	u$33\frac14$	$32\frac58$	33	$+\frac12$
$7\frac14$	$2\frac14$	Zapata				313	$5\frac14$	5	$5\frac18$	$-\frac18$
$32\frac78$	$20\frac34$	Zayre	.40	1.3	11	5191	$31\frac58$	31	$31\frac12$	
$16\frac14$	$10\frac38$	Zemex	.40	2.6	10	113	u$16\frac18$	$15\frac14$	$15\frac58$	$+\frac38$
$33\frac58$	$18\frac78$	ZenithE			107	2110	$27\frac14$	$26\frac58$	$26\frac58$	$-\frac12$
$13\frac12$	$6\frac14$	ZenLab				358	$7\frac38$	$7\frac14$	$7\frac14$	$-\frac18$
$26\frac12$	$18\frac34$	ZenNtl	.80	3.7	13	159	$21\frac58$	$21\frac12$	$21\frac58$	$-\frac14$
$20\frac38$	$12\frac58$	Zero	.36	1.8	20	56	$19\frac34$	$19\frac58$	$19\frac12$	$-\frac18$
$30\frac34$	$17\frac12$	Zurnin s	.68	2.8	17	129	$25\frac78$	$25\frac12$	$25\frac34$	
$10\frac12$	$8\frac14$	Zweig	.65e	6.2		542	$10\frac12$	$10\frac38$	$10\frac12$	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend, cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Fourth quarter opens positively as buyers return

WALL STREET

INVESTORS started the new quarter in a more positive frame of mind yesterday, pushing up Wall Street stock prices on moderately heavy trading volume, *writes Roderick Oram in New York.*

Credit markets in contrast continued to find few buyers and bond prices drifted lower.

The Dow Jones industrial average overcame a hesitant start to begin the rally in mid-morning. It closed up 42.92 at 2,639.20. Broader market indices enjoyed comparable upturns with the Standard & Poor's 500 adding 5.50 to 329.33 and the New York Stock Exchange composite index rising 2.73 to 182.97.

NYSE volume was 194.5m shares with advancing issues outpacing the number declining by a ratio of two-to-one. Traders said institutional investors showed interest in buying stocks after weathering the recent price correction. The Dow industrials fell 2.5 per cent in September and the New York stock Exchange composite index fell 2.3 per cent.

Over the past 27 years, bearish Septembers have been followed by bullish fourth quarters eight out of 10 times, according to "Smart Money," a stock market newsletter.

However, many traders expect the market to be slightly erratic over the next few weeks as it digests reports of third-quarter corporate earnings.

In yesterday's trading, CBS fell $5 to $220¾ after its board postponed a decision on the offer from Sony, unchanged at $37¼, to buy its records and *music division.* CBS said it would consider alternative proposals at its October 14 board meeting. The US group's share price soared $9¾ on Wednesday in anticipation CBS would accept the Sony offer.

Coca-Cola added $1⅛ to $49½ and Tri-Star Pictures added $⅝ to $15⅛. The two boards voted to combine their entertainment businesses in exchange for newly issued Tri-Star stock, lifting Coke's share of Tri-Star's stock from 36.9 per cent to 49 per cent once some Tri-Star stock is issued to Coke shareholders as a one-time dividend.

IBP was the third most active NYSE stock with 2.5m traded on its first day of trading with the price unchanged from its offer price of $19. Occidental Petroleum, off $¾ to $33¾, sold 21.5m shares equal to about 47 per cent of the equity of the meat packer. Occidental had initially hoped to get between $19 and $22 per share for the company, formerly called Iowa Beef Processors, which it bought for $800m in 1981.

Union Carbide was the second most active NYSE stock, rising $2⅜ to $30⅝ on more than 2.8m shares traded. Salomon Brothers' analyst predicted the chemical group's earnings would rise dramatically next year.

National Semiconductor, the most active NYSE stock, jumped $1¼ to $20⅛ on 3.5m shares.

Bond prices fell about half a point during the morning after their modest pickup late on Wednesday. A partial recovery later in the session left the 8.75 per cent benchmark Treasury long bond off ⅜ of a point at 91 ⅛ yielding 9.78 per cent by late afternoon.

The erosion of prices, attributed to a lack of retail demand, was worsened by a slippage in the dollar during the day. In addition, dealers were being cautious ahead of today's employment figures in which a rise of some 190,000 employed people is generally expected and next week's Treasury auction of four and seven-year notes.

The Fed funds rate began to ease from its recently high levels caused by end-of-quarter pressures on the *banking system. The rate* pared briefly yesterday morning to 30 per cent when the Fed Wire, an electronic funds transfer system, was shut down by computer problems until mid-morning. By late afternoon the rate was back at a normal level of 7⅜ per cent.

Both sets of economic figures released yesterday differed widely from forecasts but had neglibible effect on the markets. Construction spending rose 1.6 per cent in August compared with estimates of no rise. It is, however, a volatile series. Factory goods orders fell 1.7 per cent in August, more sharply than expected.

CANADA

GOLDS extended their fall on the lower bullion price and banks also softened, depressing Toronto share prices.

Placer Dome and Lac Minerals both slipped by C$1 to C$25⅝ and C$18⅛ respectively among golds. International Corona was C$¼ off at C$46½.

Of the lower banks, Bank of Nova Scotia fell C$⅛ to C$15 following news of its purchase of investment dealer McLeod Young Weir. Royal Bank was off C$¼ at C$32 and Toronto Dominion by the same amount at C$31¼.

Montreal and Vancouver were slightly lower.

SOUTH AFRICA

GOLD STOCKS drifted lower in response to the weaker bullion price in moderate trade with selling generally light.

Among the heavyweight golds, Vaal Reefs dropped R12 to R439, though other losses were more modest. Elsburg shed R1 to R17 and Village 20 cents to R5.50

Gencor's good run faltered with a R1.50 dip to R74.25. Other minings also eased. Rustenburg Platinum by 50 cents to R58.50 and Vansa Vanadium by 40 cents to R9.60.

UK investment rule faces delay

BY CLIVE WOLMAN IN LONDON

SIR Kenneth Berrill, chairman of the UK Securities and Investments Board, the chief City of London regulatory authority, yesterday backed the mounting pressure for a year's further delay in introducing a crucial section of the new regulatory framework.

Sir Kenneth also unveiled proposed regulations which would change the method of fixing the prices for buying and selling units in unit trusts and limit the scope of unit trust managers to make dealing profits at the expense of investors.

In August, the Trade and Industry Department (DTI) announced that it intended to bring into force all the provisions of the 1986 Financial Services Act by next April. However, since then the new self-regulating organisations (SROs), in particular The Securities Association (TSA), as well as several City institutions, have lobbied the DTI, asking for a delay in introducing section 62.

This section allows investors to sue an investment business for losses they have suffered as a consequence of a breach in any of the SRO rules. According to TSA chairman Mr Andrew Large, it threatens to make the new system excessively legalistic.

Sir Kenneth suggested yesterday that at least a year should be allowed to elapse after the investor protection rules are introduced next April before they are given the legal backing of section 62.

His primary concern, he said, was that large institutions would exploit section 62 against investment firms unfairly, but he agreed that small investors would also be affected by the delay. However, the SIB could still allow investors to receive compensation under another section, 61, of the act during the proposed transitional year.

The most important proposed change under the new draft rules on unit trusts is to end the practice by which investors can buy and sell units each day at prices quoted in the morning's newspapers. The current rules allow experienced speculators, and sometimes the investment managers themselves, to exploit major stock market movements during the course of the day and buy or sell units at too favourable prices at the expense of other unit-holders.

The new rules will make buying units similar to buying shares. The prices at which units can be bought or sold will be adjusted during the course of the day so that investors will not know the prices in advance when placing their orders.

Feature, Page 12; Editorial Comment, Page 26

Ansbacher to make rights issue

BY HUGO DIXON IN LONDON

HENRY ANSBACHER, the merchant banking group, yesterday announced a £69m ($112m) rights issue which more than doubles its net worth to £125m.

The move is designed to enable the group to compete in today's financial markets, where a bank's ability to commit large amounts of its own money for underwriting securities issues and lending has become increasingly important.

A linked decision to strengthen the board of Ansbacher's merchant banking arm, also announced yesterday, is intended to put an end to the bad memories of the Guinness affair. Among those appointed to the board is Mr Mark Phythian-Adams. He replaces Lord Patrick Spens, who had to resign over the affair.

Lord Spens, ex-managing director for corporate finance, was one of those involved in arranging a controversial share-support operation for Guinness during its bid last year for Distillers.

The idea of the rights issue was "to re-establish Ansbacher as a serious player," said Mr Richard Fenhalls, group chief executive. It would now be able to make larger loans to clients and take bigger deposits.

A particular problem has been a Bank of England rule which limits the amount of money a bank can lend to each client to 10 per cent of the bank's capital. The bank will now have disclosed capital of £72m.

Although this still leaves Ansbacher considerably smaller than the largest of the UK merchant banks such as Warburgs and Morgan Grenfell, it is now a small-to-medium bank rather than a small one. Ansbacher hopes this will change the number of institutions which think it is capable of servicing their needs.

What is left of the rights issue will be used to expand the group's insurance broking side and pay off the debt on Ansbacher's headquarters in the City of London.

The rights issue is a mixture of ordinary shares and convertible subordinated loan stock. For every 20 ordinary shares they hold, shareholders will be offered a unit consisting of six new shares at 82p each and £5 nominal of convertible loan stock. The issue price for each unit will be £9.92.

Ansbacher's four major shareholders – Groupe Bruxelles Lambert, Pargesa, Banque Internationale à Luxembourg and Wafra Intervest – which account for 73 per cent of the equity, have agreed to take up their rights in full. Mr Robert Maxwell, who has 9.9 per cent, is also said to support the issue.

EUROPE

Currency stability aids broad recovery

AN OVERNIGHT improvement on Wall Street and the firmer dollar lent support to share prices in Europe yesterday. Major bourses responded happily to steadier exchange rates with West German and Swiss blue chips and banks posting good gains.

Frankfurt was led sharply higher by broad-based rallies in blue chips, chemicals and electrical issues. The Commerzbank index rebounded with a 22.2 rise to 1,986.4 as the steady dollar helped renew investor confidence at the start of a new quarter.

Chemicals were actively sought and Bayer and BASF surged to year-highs. They advanced DM12 and DM6.10 to DM373.50 and DM344.90 respectively. Hoechst gained *DM9.20* to *DM330* and pharmaceutical Schering was up DM5 to DM614.

In banks, Deutsche Bank advanced DM7.50 to DM697, Dresdner rose DM5 to DM365, Commerzbank added DM4 to DM305, BHF advanced DM10.50 to DM495 and Bayernhypo gained DM9 to DM517.

German bonds ended lower but the Bundesbank's average yield of public paper rose to 6.31 per cent from 6.30 per cent on Wednesday due to a statistical adjustment made at the start of each month.

Zurich picked up after a bout of profit-taking the previous day. Wall Street's slight overnight recovery lifted prices in fairly active trading.

The Crédit Suisse index advanced 8.8 to 631.40 as selected banks, financials and leading industrials climbed.

Swiss Bank Corp. gained SFr6 to SFr514, Crédit Suisse was up SFr30 *to* SFr3,490 and Swiss Volksbank rose SFr45 to SFr2.370.

Amsterdam ended slightly higher in quiet trading as a firmer dollar sparked some late buying. The ANP-CBS index closed 0.2 higher at 102.3, helped by gains in blue chips.

Akzo added Fl 1.10 to Fl 176.80, Unilever gained 60 cents to Fl 139.90 and KLM was up 40 cents at Fl 54.80. Royal Dutch and Philips were unchanged at Fl 267.50 and Fl 51.60 respectively.

London

STOCK MARKETS were enlivened by several sizeable take-over offers and similar speculative developments. Active trading in several major sectors helped lift prices.

The FT-SE 100 index ended a net 7.8 points up at 2,373.8, while the FT Ordinary Index advanced 7.2 to 1,860.9. Details, Page 48

Stockholm climbed to a record, spurred by a strong rise in the forestry sector and rumours of a major Trelleborg-Boliden deal after yesterday's suspension.

The Veckans Affarer all-share index rose 21.6 to 1,200.6 in heavy trading.

Oslo rose on hopes that the Government could soon scrap supplementary reserve requirements, thus giving leeway for lower interest rates. The market had discounted yesterday's announcement that the Government planned to impose a 1 per cent turnover tax. (Norway, Page 32.)

Paris moved lower for its sixth consecutive session as concern *about high interest rates and grim* unemployment forecasts weighed on the market.

The CAC index shed 2.7 to 407.7 with some bargain-hunting preventing a steeper decline.

Brussels was quietly mixed as most operators remained sidelined amid continuing uncertainty over the direction of interest rates. This was compounded by the threat of renewed tensions within Belgium's coalition government over a language dispute.

The Brussels stock index lost 15 to 5,113 25 in low volume.

Milan slipped lower with moderate falls across the board in profit-taking. The Milan stock index (MIB) lost 8 to 881 in thin trade as investors departed.

Madrid climbed higher in active trading as utilities began a series of cash-calls. The general index added 1,72 to 312.96.

ASIA

Money rate fears spark sell-off

TOKYO

THE PROSPECT of higher interest rates depressed the bond market which in turn drove equities sharply lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average tumbled 289.14 to 25,721.74, its first fall in seven sessions. Turnover, however, swelled from Wednesday's 1.29bn to 1.46bn shares. Declines outpaced advances by 574 to 343, with 124 issues unchanged.

The broad slide stemmed largely from heavy institutional selling of large-capitalisation steel, shipbuilding and chemical stocks triggered by reports that a Bank of Japan source had said the central bank is considering raising its official discount rate.

Institutions unloaded large-capitals in big lots to take profits as they grew nervous about strong recent gains among the issues. The bellwether index had gained 1,144 points in six sessions until Wednesday.

Nippon Steel remained the most active stock, with 16.18m shares traded, but tumbled Y16 to Y416. Sumitomo Metal Industries, third busiest with 43.09m shares, fell Y20 to Y316, Mitsubishi Heavy Industries, sixth with 29.25m shares, Y23 to Y650 and Kawasaki Steel, ninth with 24.39m shares, Y17 to Y322.

Large-capital chemicals also lost strength almost across the board, with Showa Denko, second with 70.36m shares, weakening Y12 to Y775, Mitsui Toatsu Chemicals, eighth with 26.12m shares, Y14 to Y765 and Ishihara Sangyo Y19 to Y831.

In sympathy, high-tech stocks plunged on a wide front: Hitachi, fourth with 39.77m shares, shed Y80 to Y460, Toshiba, fifth with 39.04m shares, Y32 to Y785, NEC Y60 to Y2,370, Matsushita Electric Industrial Y80 to Y2,730 and Sony Y40 to Y5,500.

Bonds fluctuated widely, reflecting uncertainty about interest rates. Contrasting with rumours emanating from the Bank of Japan were reports that an official of the Ministry of Finance had denied the possibility of a rise in the key lending rate.

The yield on the benchmark 5.1 per cent government bond due in June 1996 opened at 5.780 per cent against Wednesday's 5.725 per cent finish and closed higher at 5.910 per cent in block trading on the Tokyo Stock Exchange. It later surged further to 5.960 per cent in inter-dealer trading.

On the Osaka Securities Exchange (OSE), the OSE stock average slid 72.37 points to 26,340.71 on a volume of 213.86m shares, up 26.06m shares from the previous day. The weak performance reflected lower high-tech prices.

HONG KONG

IN A CHOPPY session alternating between profit-taking and institutional buying, Hong Kong share prices edged marginally higher to a fresh record. The Hang Seng index closed up 6.09 at a peak of 3,949.73. Turnover was a heavy HK$3.73bn against HK$3.48bn on Wednesday.

The Cheung Kong group was lifted by speculative buying prior to imminent results, with Cheung Kong up 60 cents at HK$13.80 and Hutchison Whampoa 40 cents stronger at HK$15.90.

Jardine Strategic, though, fell 60 cents to HK$13.90 following news that it had bought a 20 per cent stake in US broker Bear Stearns.

SINGAPORE

WITH NO fresh factors emerging to lend the market impetus, Singapore share prices vacillated narrowly to close slightly higher. The Straits Times industrial index added 3.87 to 1,402.15 in turnover of 13.5m shares, down from Wednesday's 16.1m.

Sime Darby pulled back 10 cents of Wednesday's falls to S$3.50 in the day's busiest trade of 1m shares.

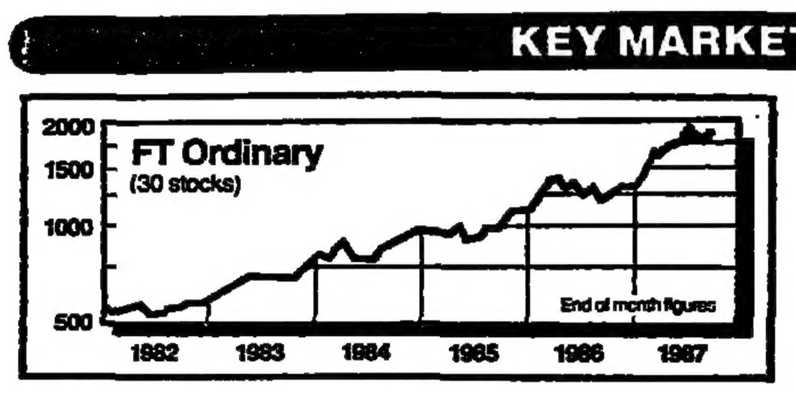
AUSTRALIA

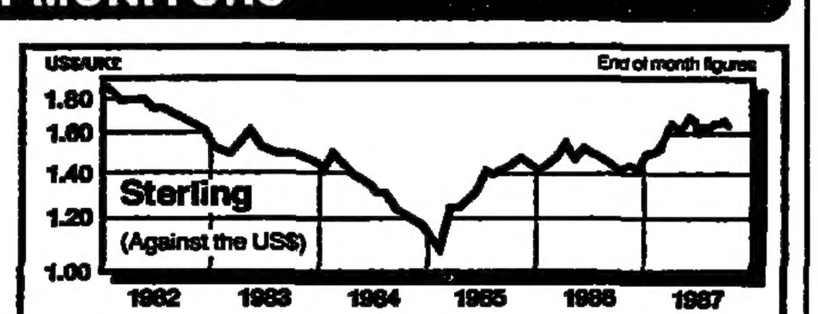
A FURTHER slide in the gold price *sent shares in Sydney sharply lower* as the sell-off from the previous day gathered momentum. The All Ordinaries index dropped 30.6 to 2,218.6 in moderate turnover.

A fall in the Australian dollar worried foreign investors who withdrew from the market.

Gold stocks were hardest hit

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Oct 1	Prev	Year ago
DJ Industrials	2,617.33*	2,596.28	1,782.90
DJ Transport	1,056.64*	1,047.68	815.13
DJ Utilities	198.55*	196.95	199.93
S&P Comp	325.26*	321.83	233.60
LONDON FT			
Ord	1,960.9	1,953.7	1,246.0
SE 100	2,373.8	2,366.0	1,578.3
A All-share	1,214.97	1,208.89	776.10
A 500	1,330.66	1,323.85	853.62
Gold mines	444.9	453.1	317.2
A Long gilt	9.96	9.95	9.95
World Act Ind (Sept 29)	136.44	136.79	96.43
TOKYO			
Nikkei	25,721.74	26,010.88	17,564.4
Tokyo SE	2,108.33	2,136.61	1,432.31
AUSTRALIA			
All Ord	2,218.5	2,247.6	1,253.6
Metals & Mins.	1,368.6	1,400.9	636.1
AUSTRIA			
Credit Aktien	229.23	227.84	235.55
BELGIAN SE			
SE	5,113.20	5,128.50	3,799.67
CANADA			
Toronto			
Met & Mins.	3,373.1*	3,377.0	2,161.0
Composite	3,830.0*	3,902.4	2,988.3
Montreal			
Portfolio	1,932.04*	1,933.25	1,508.4
DENMARK SE			
SE	—	206.63	185.42
FRANCE			
CAC Gen	407.70	410.40	382.5
Ind. Tendance	—	105.60	92.51
WEST GERMANY			
FAZ-Aktien	645.88	639.60	689.11
Commerzbank	1,986.40	1,964.20	2,001.6
HONG KONG Hang Seng	3,949.73	3,843.64	2,090.24
ITALY Banca Comm.	–	–	742.56
NETHERLANDS ANP CBS			
Gen	–	na	278.5
Ind	–	na	278.1
NORWAY Oslo SE	562.28	560.88	375.3
SINGAPORE Straits Times	1,402.10	1,398.20	812.83
SOUTH AFRICA JSE			
Golds	–	2,277.0	1,829.0
Industrials	–	2,257.0	1,375.0
SPAIN Madrid SE	312.96	–	199.41
SWEDEN J & P	3,155.20	3,111.00	2,470.42
SWITZERLAND Swiss Bank Ind	725.00	718.40	548.1

COMMODITIES (London)

	Oct 1	Prev
Silver (spot fixing)	485.35p	488.85p
Copper (cash)	£1,139.00	£1,133.50
Coffee (Nov)	£1,339.00	£1,312.00
Oil (Brent Blend)	$18.615	$18.69

GOLD ($/oz)

	Oct 1	Prev
London	$455.00	$459.25
Zürich	$455.05	$459.05
Paris (fixing)	$454.57	$459.58
Luxembourg	$454.25	$459.25
New York (Dec)	$458.70	$468.20

CURRENCIES (London)

	US DOLLAR Oct 1	US DOLLAR Previous	STERLING Oct 1	STERLING Previous
$	–	–	1.6170	1.6255
DM	1.8475	1.8435	2.9875	3.00
Yen	146.90	146.45	237.50	238.0
FFr	6.1475	6.135	9.94	9.9725
SFr	1.5395	1.5340	2.49	2.495
Fl	2.0785	2.0730	3.36	3.37
Lira	1,333	1,328	2,155	2,158.75
BFr	38.35	38.20	62.00	62.10
C$	1.3065	1.3085	2.1085	2.1265

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 1	Prev
£	10⅛	10⅛
SFr	4⅛	4⅛
DM	4⅜	4⁷⁄₁₆
FFr	8⁵⁄₁₆	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	8¾	8⅞
6-month US$	8⁷⁄₁₆	8½
US Fed Funds	7⅜*	7¾
US3-month CDs	7.85*	8.225
US3-month T-bills	6.595*	6.81

FINANCIAL FUTURES

Oct 1	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81–24	82–08	81–17	81–22
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.72	92.75	92.69	92.69
Certificates of Deposit (IMM) $1m points of 100%				
Dec	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.44	91.48	91.40	91.39
20-year Notional Gilt £50,000 32nds of 100%				
Dec	114-07	115-05	114-05	114-21

US BONDS

Treasury

	October 1 Price	October 1 Yield	Prev Price	Prev Yield
8½ 1989	99²⁹⁄₃₂	8.621	99²⁹⁄₃₂	8.621
7 1994	92¹⁷⁄₃₂	9.508	99²⁹⁄₃₂	9.488
8½ 1997	93¹⁴⁄₃₂	9.669	93¹⁴⁄₃₂	9.668
8¾ 2017	90²⁷⁄₃₂	9.813	90²⁰⁄₃₂	9.831

Source: Harris Trust Savings Bank

Treasury Index

October 1

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	8.93	–0.03
1–10	154.63	+0.12	8.66	–0.03
1– 3	144.03	+0.07	8.37	–0.03
3– 5	157.57	+0.17	8.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 1 Price	September 1 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	uch	uch	91.75	7.25
SCBT South Central 10⅞ Jan 1993	uch	uch	100.75	10.69
Phibro Sal 8 April 1996	uch	uch	85.75	10.58
TRW 8⅞ March 1996	uch	uch	91.00	10.38
Arco 9⅞ March 2016	uch	uch	91.85	10.80
General Motors 8⅝ April 2016	uch	uch	78.48	10.80
Citicorp 9⅞ March 2016	uch	uch	88.70	11.30

Source: Salomon Brothers

* Latest available figures